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Oct. 13

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WITH THE EDITORS

How to Figure Margins

ANNOUNCEMENT by the Federal Reserve Board of margin requirements under the Securities Exchange Act of 1934 finds traders busily engaged in attempting to work out the simplest and most practical formula for calculation of margins.

On registered securities a broker is permitted to advance to his customer up to 55 per cent of the current market price or 100 per cent of the lowest market price since June, 1933, whichever is the higher; but in no instance can the loan be more than 75 per cent of the current market price. This amounts to saying the minimum margin must be 45 per cent of the current market price, or else the difference between the current market price and the lowest market price since June, 1933; but that in no event shall it be less than 25 per cent of current market price.

Let us say that a given stock is selling at 40 and that its lowest price since June, 1933, was 25. The margin trader could choose between putting up 45 per cent of 40, which is $18 a share, or the difference between 40 and 25, which is $15 per share. But if the same stock is selling at 30 when the margin commitment is made, the trader will have to put up at least 25 per cent of 30, which is $7.50 a share, despite the fact that the difference between the current price of 30 and the low of 25 is only $5 a share.

The regulations prescribe only *minimum* requirements, and there is nothing to prevent a broker from demanding more than the minimum requirement on any transaction, as his judgment of the risk dictates. The New York Stock Exchange's minimum margin requirements thus far are still in force. They amount to 50 per cent of the debit balance on debit balances under $5,000 and 30 per cent of the debit balance on larger accounts. Roughly, this works out about 33 per cent of current market price on small accounts and about 23 per cent on debit balances above $5,000. The Federal Reserve Board requirements are in no instance less than these and in some will be higher.

Here is a simple formula:

On debit balances over $5,000: (1) If low price is 75 per cent of market price, or higher, minimum margin will be 25 per cent of current price. (2) If low is 55 per cent of market price, or less, minimum margin will be 45 per cent of current market price. (3) If low is between 55 per cent and 75 per cent, margin will be the difference between low since June, 1933, and current price.

On debit balances under $5,000: (1) If low price is 2/3 of market price or higher, margin will be 1/3 of current market price. (2) If low price is 55 per cent of market price, or less, margin will be 45 per cent of current market price. (3) If low price is between 55 per cent and 2/3 of market price, margin will be the difference between low price and current price.

Lowest Prices of Active Stocks Since June, 1933, are printed on pages 672-674

In The Next Issue

Coming Changes in Money and Banking

Part I in the Issue of October 27

Is More Money the Solution of Present Difficulties?

Part II in the Issue of November 10

A Central Bank of the United States

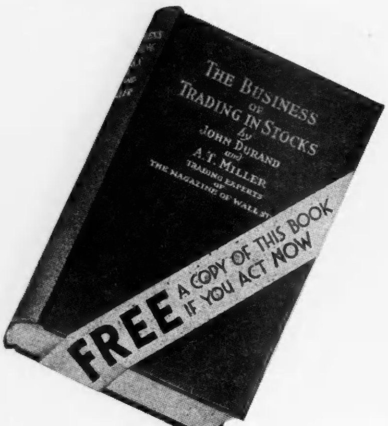
By ROBERT HEMPHILL

What the Lifting of Price Control May Mean to Business

By JOHN D. C. WELDON

Outlook for the Cigarette Companies

How to Profit by Removing the Guesswork from Your Investments



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Including a Formula for Determining Common Stock Values in This Second Phase of the Economic Cycle

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— A Corrective Truce
— What Is An Advisory Council?
— Sunny Uptonia
— Pooling Freight Cars
— Money Makes the Mare Go
— The Pound Still Declines
— Same Old Russian Bear
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A CORRECTIVE TRUCE

PRESIDENT ROOSEVELT does well to propose a truce between labor and capital. While the fight goes on over the present short commons it gets shorter. Presently there may be nothing to divide. The whole New Deal policy leans too much toward rationing out what little there is instead of amassing something to apportion. In his latest fireside radio chat with the nation Mr. Roosevelt said that much he stands for is old stuff in Great Britain, but he didn't mention the fact that the British are not making the mistake of confusing relief and recovery, as we are. What is supremely needed now is the utmost possible production at the lowest possible cost. This is no time to insist on a 30-hour week. Give the workers that can be employed the highest possible rate of pay and the hours necessary to fill the pay envelope. Their prosperity will breed more production and more employment. We can't go ahead by going backward, that is, we can't distribute more by having less to distribute. A truce between labor and capital, with restriction of consumable production as a condition, would not be so exciting and alarming as strikes and lockouts but it would be about as destructive of the bases of recovery. Industry can not support a colossal relief bill, which it is doing, and produce less at greater cost. Presently, if this sort of thing goes on, the employed will relapse into unemployment.

WHAT IS AN ADVISORY COUNCIL?

THE Federal Reserve Advisory Council, composed of bankers, has been sternly and publicly rebuked by the Federal Reserve Board for venturing to offer to that once august body the suggestion that our present monetary policy is less than perfect and that we should return to the gold standard. The Board might logically have contended that we are on a gold

standards of sorts—very limited sorts—since our official price for gold has been unchanged for some time. Instead, it pointed out that such matters as the monetary policy and the gold standard were entirely outside of its province and that of the Advisory Council as well. This is true, but it nevertheless leaves one wondering of what value an advisory council is if it has no right to advise on matters which clearly are of the greatest importance to the banking system. The incident is significant only in that it serves as a reminder that under the New Deal, for good or ill, the Federal Reserve Board has become more and more a mere appendage of the White House.

SUNNY UPTONIA

WITHOUT California the national scene would certainly be far less interesting to contemplate. Perhaps there is something about the climate that addles the collective mind of that exciting state, land of Hollywood, Aimee Semple McPherson, colossal football colleges, the epochal Townsend Plan and the immensely glib Upton Sinclair. Mr. Sinclair, a Socialist campaigning as Democratic nominee for Governor of California, has stolen the California show. Clinging gleefully to the coat tails of the New Deal—and thereby merely doing what most politicians have been prompt to do—he can even rejoice in attracting a national spotlight. Evidently it is believed that he has better than an even chance of winning, for California conservatives plainly have the jitters and we hear almost incredible reports of an actual "flight of capital" out of that usually sunny state. And over the past week the stock market has shied violently away from every stock smacking in any respect of California.

Those who know him describe Mr. Sinclair as an impractical visionary. Be that as it may, he has gathered unto himself more capitalistic dollars out of his socialistic writings than any other living radical. In this respect he is intensely practical, and perhaps this may be one reason why thousands of otherwise sane Californians apparently accept his promise that as Governor he will end poverty in California. It is going to be an exciting show. Why not combine Sinclair's E P I C plan and the Townsend Plan, and name the merger Uptonia? Surely there will be prosperity or something in California when the State provides employment for all of the unemployed—the devil take capital and business!—and when there is a government pension of $200 a month, to be raised out of a sales tax, for every person over sixty. In such manner, according to Uptonia, will "purchasing power" be swelled. We fervently hope the headache following this jag will not be too painful.

POOLING FREIGHT CARS

A SYSTEM of pooled operation of the $3,000,000,000 worth of freight cars maintained by the railroads will be recommended in the near future by Joseph B. Eastman, Railroad Co-ordinator, it is reported at Washington. The purpose is to reduce empty hauls and operating costs. Much has already been done along this line. If Mr. Eastman's plan is practical and will actually reduce railroad costs, it will be gratefully received. But railroad men may be pardoned a certain scepticism when government promises in any respect to reduce their costs—in view of the reality that heretofore it has contrived very effectively to *raise* their costs in innumerable ways. While some over-capitalized roads need to go through the wringer, the majority need most of all a normal volume of traffic. The helping hand of the Government will help the roads most when it turns itself to policies designed to restore business confidence and a normal volume of economic activity. All other remedies are but feeble substitutes for this cure.

MONEY MAKES THE MARE GO

IT is a noteworthy coincidence that as governmental disbursements, of various and many novel kinds, mount up, the Administration's prospects of a rebuff in the Congressional elections grow less. To put it another way, it might be said that the more the Administration spends the fewer its opponents are. This is a good sample of the results of intimate relations between government and business. When governments have billions to spend or lend politics becomes business and business becomes politics. In the crude old times business may have bought voters but now we are making toward a condition in which government may induce its perpetuation by the political judiciousness of the time and place of disbursements. But what when the money runs out and the reckoning comes? Many a feast has been spoiled when the waiter presented the check. But the politicians would rather not think of this—certainly not when the banquet has only started.

THE POUND STILL DECLINES

THE continued decline in the pound sterling is the cause of renewed anxiety not only in this country, but more particularly in the gold bloc countries. It has reopened the question as to whether the world is about to embark upon a new era of competitive currency depreciation, the ultimate effects of which have engendered well-founded fears. Neville Chamberlain had this to say recently: "I have in this matter declared the policy of His Majesty's government many times without, I am afraid, succeeding always in convincing people across the seas. However, I'll try once more and say that the policy of this government is for the present to maintain the independence of sterling; that the exchange equalization account was founded for the purpose of ironing out the excessive fluctuations in the value of the currency, and we have never attempted, and are not attempting now by means of that fund, to fix exchange at a given point, or maintain it even within a fixed limit of values in the face of and in opposition to sea-

sonal and other powerful influences." On the face of it, this would mean that sterling was to be allowed to seek its own "natural" level—a level at which the British internal price structure would be in adjustment with that of the rest of the world. What the actual exchange figure might be so far as the United States is concerned cannot be known to anyone. However, the British have long maintained that the dollar was grossly undervalued and their arguments have not been unconvincing. Yet, if this is so we face considerable trouble. A declining pound will exert a deflationary effect upon our prices. Artificial measures taken to offset such a decline would almost certainly have to be of an inflationary nature; and how much further would it be safe for us to go along these lines? At the same time, in all fairness, it must be admitted that if the dollar *is* undervalued we are currently exercising a deflationary pressure on Britain's prices, which she likes no more than we do. Should the matter actually be as it seems, the United States and Great Britain have about reached the point where disaster to both and to the world in general can be averted only by international co-operation.

SAME OLD RUSSIAN BEAR

THE Third Internationale is starting a new campaign under the leadership of Stalin to bring on a world revolution. This is a sharp reminder of the colossal blunder this nation made when it recognized the Soviet government. Recognition and its expected billion-dollar buying by the Soviets in this country means only that we are to help the communists to spread their heresy. So far, we are glad to say, there has been no Russian buying here—and there will be none until we lend the Russians the money with which to buy. When we shall do that we shall simply be financing communism to undermine free institutions here as well as in the few other countries in which they still survive. The world has been horrified by the revelations of the willingness of arms manufacturers to arm the enemies of their own countries, but to our way of thinking it is far worse for a government to pursue a policy of coddling and nursing its arch-enemy.

WATCH YOUR CAPITAL

THE owners of capital today have considerable reason to fear what present political tendencies will do to their thrifty accumulations. This fear is more acute than it has normally been in this country, and is certainly justified as one considers the extent to which accumulated capital may be whittled away by rising taxes and by governmental policies which curtail or destroy the wages of capital. It is worth while, however, for the investor to remind himself periodically that at all times he must be alert to a broad variety of forces which constantly threaten to nibble away at his wealth. The danger is not alone in the political field, even though it is there most obvious. The economic winds and rains and storms are likely to beat down in erosion upon any lump of capital, for it must not be forgotten that capital is constantly and remorselessly competing with capital—destroying it, replacing it to meet the endless demand for cheaper and more efficient economic service. We have made progress in this country only because capital gains have exceeded constant capital losses. The list of such past losses is endless. Today we see capital invested in trucks and busses and airplanes eroding the capital invested in railroads. Today we read of a new development in the swift communication of facsimile messages by short-wave radio. This is both a promise and a danger signal. If successful, the new process will reward the capital invested in it and erode the capital invested in other forms of communication. The example is typical. Fortunate is the investor who can escape all erosion in a lifetime!

INFLATIONISTS NOTE

ON behalf of the Socialist League a proposal which was tantamount to a partial confiscation of capital recently came before the British Labor conference as a part of a program for the socialization of British industry. In a radical body it might be expected that such a proposal would be received with acclamation, but apparently British labor is conscious of its stake, direct or indirect, in British industry—even though, be it noted, its stake is far less substantial than that of American labor in American industry—for the amendment was overwhelmingly defeated by a vote of 2,118,000 to 149,000. No confiscation of shareholders' property was the mandate to the party leaders. Speaking against the amendment a former Minister of Transport under the Labor Government said: "Great Britain is not the type of country and has not the type of people who are going to respond readily to confiscation. At the last general election it was the working classes who were mortally afraid that their humble shillings and a few pounds in the Postoffice Savings Bank were endangered by us. Every labor candidate knows that and curses it. One of the facts that we must face is that the workers in some ways are more concerned about their little investments than are some of the capitalists about theirs." The rank and file in our own country who have been impressed with radical proposals in recent months would do well to keep these remarks in mind before making a final choice on election day. A vote for an inflationist in Congress, no matter what his party label, is a step toward capital confiscation by the destruction of values.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 640. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, October 8, 1934.

Better Market Action Indicated

Internal Position Improved—New Deal's Attitude More Constructive

By A. T. MILLER

THE action of the stock market over the past fortnight has been encouraging and it is not too much to say that from a strictly speculative point of view the present indications are more favorable than they have been in many months.

The long line of descending "tops" and "bottoms" marked out by the irregular intermediate reaction between early February and late July now shows cumulative evidence of being significantly altered. The low prices of July have held against pressure both in the first week of August and the third week of September.

Stocks Recommended for Current Purchase

DuPont	**Commercial Credit**
Borden	**Great Western Sugar**
General Electric	**American Cyanamid**
Gulf Oil	**Continental Oil**
National Lead	**Liggett & Myers "B"**
Union Carbide	**Pillsbury Flour**
Lake Shore Mines	**United States Gypsum**

The September test was followed by a rally which was interrupted under the best levels of August by apparent speculative disappointment in President Roosevelt's radio address to the nation, by weakness in the speculative commodity markets and by isolated liquidation in several prominent stocks affected, or thought to be affected, by the political situation in California.

As frequently happens, these minor obstacles were encountered at a time when technical reaction was a normal expectation, following nearly ten sessions of advance. The point of present technical interest is that the most recent reaction has proved of no more than technical significance, that the market as a whole has shown a convincing ability to resist isolated instances of liquidation and that it is at this writing engaged in an effort to extend the intermediate rally which began in the third week of September, rather than to extend the decline.

Other internal indications likewise appear to be favorable, so far as they go. Recent periods of reaction have been marked by small volume. While the same is true of periods of improvement, these at least have had a slight edge in activity. Moreover, it becomes increasingly evident that the speculative clean-out of last July constituted a purge of stale trading positions needing no repetition. This is reflected both in the low level of brokers' loans and in the promptness with which the general market on repeated tests has "bounced up" from the lower level of the broad trading range that has persisted since October of last year.

While we see nothing in the picture to suggest a dynamic advance in the near future, we believe there is a better than even chance that the low level of last July can be accepted as a probable minimum level not soon to be penetrated; and that the question with which the market will occupy itself over the near term will be the possible scope of intermediate advance, rather than of decline. Demonstration of an ability to rise decisively through the best price levels of August would constitute a hopeful technical signal.

Our preceding article reiterated a policy, unchanged for months, of recommending investment accumulation of sound equities in every period of intermediate reaction. It likewise expressed the opinion that trading commitments undertaken around the lower level of the trading range marked out by the July lows offered promise of intermediate profits. There is no change in this view, although it is necessary to point out that at the present higher price level a portion of probable intermediate gains has been realized and that it is probably the part of prudence to confine purchases to periods of technical correction.

We have stated before that a dynamic change either in the business picture or in the monetary outlook probably would be required to lift the market into a fresh phase of the major bull market that was interrupted in late July, 1933. No such change is imminent. Nevertheless, there is room between present prices and the top level of the year for a quite satisfactory recovery. When more of the ground lost since last February has been regained it will be time to consider the limitations of our situation.

Fortunately, we are able to state that our presently increased confidence in both the near-term and the longer outlook rests upon factors far more fundamental than the technical considerations cited above.

We are not among those who feel disappointed in President Roosevelt's "fireside talk" of September 30. Admittedly, it left much to be desired at a time when the restoration of business confidence is the chief need of the nation; but the significant thing is that in that address the President for the first time clearly recognized this vital need. The address, in short, was an *effort* to restore the confidence of business and capital.

Bearing in mind the political problem faced by the Presi-

dent as the Congressional elections approach, it is fair to hold that he went about as far as it was practical for him to do in revealing his hand. Moreover, it is significant that he concerned himself almost entirely with the problem of recovery, whereas in all preceding addresses the New Deal reforms had been emphasized.

Specifically, there is encouragement in his reiteration that he relies "upon the driving force of private initiative," in his sensible suggestion of a truce between capital and labor and in his frank recognition that mistaken economic policies of N R A will have to be modified or abandoned.

Conceding that there is risk in attempting to read too much between the lines of this address, we nevertheless believe there is a better than even chance that it will turn out to have been a significant milestone in the career of the New Deal. This is supported by the unbiased views of various Washington observers.

The significant thing is that the Administration, assured of endorsement at the polls next month, is nevertheless no longer inclined to ride blissfully along on the momentum of popular favor, with blind confidence that its previous recovery policies ultimately would work. There is every indication that it is soberly concerned with the absence of significant economic progress over the past year and that it is inclined from this point on to review those policies more realistically and to adjust them to the practical economic necessities of the country.

In short, the evidence is that Mr. Roosevelt will try hard to make peace between capital and the New Deal and to encourage capital to go back to normal employment in the interest of orthodox economic recovery. We believe this tentative conclusion is more than likely to find further confirmation in Administration statements and actions over coming weeks, and especially after the elections are out of the way.

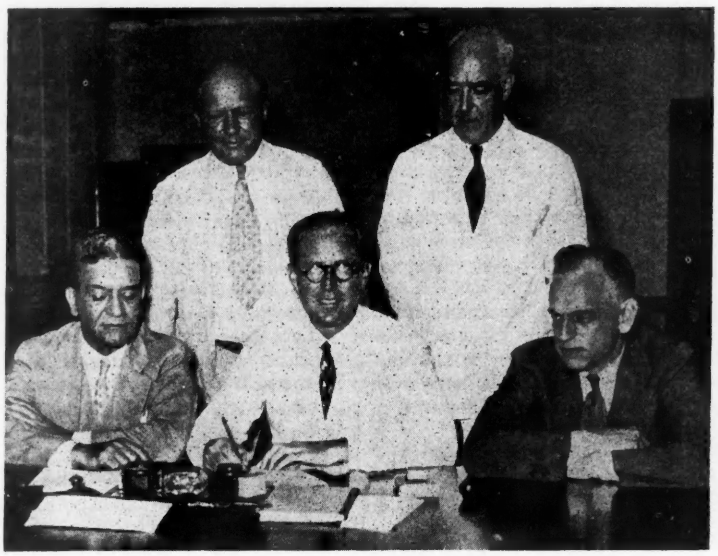
There is, of course, another and less hopeful side to the politico-economic picture and we can not afford to ignore it. It is far easier to destroy the confidence of capital than to re-build it. Unquestionably the New Deal over the past eighteen months has set in motion very powerful political forces in this country. Politicians and the mass public have had a tempting taste of vast Federal spending and governmental experiments that go far toward socialistic lines.

Is one wrong today in sensing a growing fear not of Roosevelt but of the mass vote and of Congress? Thus far the President has been engaged chiefly in pushing down the accelerator. It remains to be demonstrated whether he can wield equal power in putting on the brakes. The main body of the legislation that he needed for his policies of recovery, reform and relief has been written. While he will undoubtedly call for certain additional legislation when Congress convenes next January, it is a reasonable assumption that it will deal chiefly with rounding out a program the chief features of which are generally known. The question is going to be whether Congress will stand pat on what the Administration asks, or whether it will insist on taking a popular mandate as justification for going off on a notable spree of its own.

Without a shadow of a doubt, the coming Congress will again dangle before our eyes the veterans' bonus, agitation for all varieties of inflation and innumerable spending schemes. Mr. Roosevelt may or may not be able to steer it down the middle of the road. Until it is demonstrated that he can do so, the gratification of capital at any and all reassurances that the President himself can offer will inevitably be tempered by certain doubts as to the ultimate balancing of the Federal budget and the ultimate worth of the dollar.

All of which boils down to the fact that there are but two alternatives open. First, a more or less orthodox economic recovery, regarding which the President's own statements and actions are presently encouraging. Second, more governmental "shots in the arm," regarding which the more likely originating source promises to be Congress. In either event, clearly a turn to policies of deflation is out of the picture.

It is on this reasoning that we have consistently adhered to recommending that sound equity investments be firmly held, and that we again accompany this article with a list of favored stocks, most of which are of investment caliber.



Wide World Photo

Securities and Exchange Commission

Seated (L to R): Ferdinand Pecora, Joseph R. Kennedy, chairman; James M. Landis. Standing: George C. Mathews, Robert E. Healy.

The current business records are of interest chiefly in that they appear to indicate that the momentum of the reaction in economic activity is now spending itself around a level about as low as can be justified by the realities of our situation. Business activity, in short, is only moderately higher than it was in January, 1933, when the banking collapse was looming in the financial skies or in April, 1933, when the first gasp of recovery had just begun. Even in the absence of categorical proof, it seems a reasonable assumption that those levels represent a minimum below which business is unlikely to go. For that reason, the probabilities appear to point to an early turn for the better.

Even allowing for the basic difficulties of the heavy industries in the continued stagnation of long-term financing, there can be little doubt that industrial activity is below the level of current consuming power, as reflected in the figures of employment, payrolls and retail trade. Although it is

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This Coming Election

Business Awaits Outcome in a Contest Between Radical and Conservative Forces

By Thomas L. Godey

In the civil wars of China, we are told, combatant units not infrequently change sides, according to the personal interests of their commanders—who foot the payrolls. The armies are aggregations of the retainers of the wholly realistic war lords. These practical warriors are fighting at all times for themselves.

Something of a parallel can be drawn between the Congressional electoral contest now at its height and the sophisticated ways of the "heathen Chinee" fighting men. Indeed, this parallelism always is in evidence in the off-year Congressional elections. No matter how much national issues may be played up by the national committees and by the candidates themselves, local issues of a minor, petty, and even contemptible nature are always important and sometimes dominant in controlling the outcome.

So it is that no reflections of the trend of public opinion are to be found in the fact that 52 Democratic members of the House—all of them declared New Dealers—were defeated in the nominating primaries. Nor is there any significance in the way of coming events to be found in the fact that but five Republicans were denied party authorization to return to Congress. The Democratic members were defeated at the primaries for such reasons as that their constituents had figured out that they had been in Congress for six years, say, and had thereby got some $60,000 or $70,000 of salary and mileage money, which was quite enough for them. Give somebody else a chance at those good salaries, that luxurious traveling, dispensation of patronage, and a flicker of glory! In other instances the local freemen reckoned that their Congressman had not corralled a fair share of patronage and relief money for their district, or that they had given ex-soldiers a raw deal, failed to bring home the new greenbacks and had not solved local unemployment problems. Sometimes the contest was purely one of personalities or of an aspiring out against a deserving in, with the extrovert putting it all over the introvert, and geniality dousing brains.

Now this same sort of guerilla warfare has been transferred to the final contest between the party nominees. Besides Congressional contests there are state, county and municipal contests to divert public interest from the big show of national policy in the making. In 1932, the masses of the people had their eyes on Washington and the urgency of the bread-and-butter question, in its national angle, made for straight tickets in line with the national division. They mostly voted for Roosevelt and plumped for anything and everything that was on the ballot with him. This year they are apparently about as strong for Roosevelt as they were in the election of two years

ago, although not so dead sure that he is their Moses.

The chances are that they will accord him the numerical strength in Congress which he seeks even though the quality of that strength may not be all that he desires. Personal considerations rank high in determining the Congressional choices. The underlying issues of the campaign, such as the advance of socialistic tendencies, the abandonment of private capitalism for state control with the further advance of government into business, sound money or inflation, conservatism or radicalism, all are forgotten by too many in a welter of contests in most of which the prime question is "who can get us the most money?"

National Issues Taboo

The failure to emphasize national issues may be laid to the candidates of both parties. So afraid are the Republicans in many districts that the mistake might be made of putting a national issue into a national contest that they have notified national committees to keep all national speakers out of their districts. They calculate that a nice, or nasty, little scrap on such important subjects as intimate personal records, local jealousies and old and new factional feuds is more for their winning than one dealing with such a distant abstraction as the fate of the nation.

Some Democrats find themselves in a similar predicament. Swept into office by the Roosevelt tidal wave of 1932, they now find that it is receding rather fast in their particular creek, with dread possibilities of never floating them back to fair Washington again. Such wind-vanes are prone to whisper around that they are well aware that some of this Roosevelt stuff is pretty raw and that they have real misgivings as to what it will eventually do to the home of the free and the land of the brave. But they dwell on the desirability of having a nucleus of sane and dependable men in the halls of Congress—men who by their party affiliation can do more than out-and-out enemies to keep braintrusters and office-holders from running wild with the Roosevelt ball. Many candidates for Congress have taken a leaf from the campaign book of Maine's Governor-elect Brann, who kept away from the quicksands of vague political issues and orated convincingly concerning the large sums of Federal money and vast number of jobs the New Deal had brought to Maine. Maine Yankees are naturally Republican, but they are also naturally thrifty. And so Maine went hell-bent for the Democracy and the New Deal. And the Yanks of other parts of this Yankee land are not fundamentally different from the Maineites.

"The underlying issues of the campaign, such as the advance of socialistic tendencies, the abandonment of private capitalism for state control with the further advance of government in business, sound money or inflation, conservatism or radicalism, all are forgotten by too many in the welter of contests in most of which the prime question is 'Who can get us the most money?'"

After allowing for all the dirty and petty arguments that make and unmake Congressmen in all years, particularly off years, for the general pull of more weighty considerations, and the trend of the times, the conclusion an unprejudiced forecaster arrives at is that the Democratic loss of seats will be less than the political seasonal index would indicate.

There is a general disposition among partisans and observers to predict that the Democrats will not only carry Congress again this fall, but triumphantly. A triumph for the Democrats in this off-year of disintegration and of party and principle-laxity would be a net casualty list of less than 30 seats. Even 50 dead Congressional Democrats in the House of Representatives would not be a disaster—only a rebuff. A gain of fifty by the Republicans and a loss of fifty by the Democrats would make the two parties stand around 260 Democrats and 167 Republicans, allowing for vacancies and five Farmer-Laborites. If the Republicans should gain even thirty seats, however, they would have more than a third of the members. That would keep the Democrats from dictating gag rules for the House, and would insure debate and deliberate consideration of crucial measures—which is just what party bosses never want when they are in the saddle.

In the Upper House indications also favor the followers of the New Deal, for it is likely that the Democrats will gain five seats in the Senate. This would give them a two-thirds majority without counting the lone Farmer-Labor vote of Senator Shipstead.

Feeble Beginnings of Revolt

The casual observer of politics would think from what he reads and hears that a revolt is rising against Roosevelt and the variant radicalism for which he stands. Practically all the independent Republican newspapers that have been for him or tolerant of his policies have slipped definitely into the anti-Roosevelt ranks. With them have gone some influential Democratic papers of independent slants and audiences with thoughts in their heads and cash in their pockets. Fully two-thirds of the Southern members of Congress are philosophically opposed to most of the Roosevelt alphabetical regime and are setting themselves for the critical moment when they will have to dig in their heels and pull back on the reins. Most of the talk in hotels, clubs and cars—formerly pro-Roosevelt, is now anti. The orthodox economists have come out of hiding in the colleges and in business and are now chasing the heterodox devotees of the dismal science all over the lot. The business men who took off their hats to Roosevelt a year ago and declared him a God-sent leader are beginning to think that they had a day of folly. They are getting so sick of the eternal Washington innuendo that business was and is the curse of the nation that they are turning away from the Administration. Price control, production control,—long cried for, they now spurn. People of thrift and saving are getting very tired of the implication that anybody who has kept his nose above water in these times is an undesirable citizen except when taxes are due. But these intellectuals and solid citizens are as yet only a ferment which has not produced results.

I have talked with people from every chief region of the country during the last month. They all agree that while the inevitable reaction against Roosevelt and the profligate new dealers has set in it will not get anywhere this fall. The wretched masses are grateful to the Government for having taken care of them, farmers are grateful for controlled prices and payments for raising nothing except hell, the inherent democracy of the country feels that again it is dominant, the natural rebels of youth are still for the man for whom they plumped two years ago.

And, above all, the foxy Farley taking advantage of the partisan opportunity of a century has built out of public

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Happening in Washington

By E. K. T.

President's "fireside" radio talk was interpreted by the "business congress," which is always in session these N R A days in Washington, as being reassuring in general but lacking the details which business craves. Nothing was said about the intended monetary policy, and that is what business would like to have settled once and for all. Some hold that it has restored the Roosevelt influence over wavering admirers and followers. Democrats say it couldn't have been better, from the standpoint of putting the Roosevelt power behind their congressional campaign. They feel that so far as a large zone of the business world is concerned the curse has been taken off the unfortunate Green Bay speech.

After election, it is expected the President will go more into detail in the direction of calming the fears of the business world. The September 30 talk leaves him strong with the liberals, holds his conservative followers—and discourages the radicals. But nobody hereabouts sees how he can say anything definite or encouraging about the budget and relief expenditures—because there is nothing to be said, with more people on the various kinds of relief rolls than ever before. This is usually the case toward the end of a depression, as savings run out and jobs do not come in.

Monetary reassurance is not on the books. President thinks there are too many variables in this problem to make it judicious to commit himself at this time. On the one hand he is not ready to give up the theory that further devaluation may be a handy medicine for prices, and on the other hand he thinks it would be poor policy for the United States to take a final stand on the gold content of the dollar until the world has had enough of resilient money and is ready to return to rigid standards. So, it looks as if we would have to recover without a nearby return to a fixed dollar and the gold standard.

National Recovery Administration overhauling is not altogether to the liking of the business congress. The policy-making body in the new set-up is considered overloaded with enthusiasm and bureaucrats. On the other hand the N R A Administrative Board which succeeds General Johnson as head of administration of N R A is viewed with general approval, and the spectacle of a big business man, Clay Williams, tobacco tycoon, as chairman is good for eyes inflamed with close quest for profits.

Contrast between the Committee and the Board is typical of the President's policy of tacking toward the left as soon as he tacks to the right. On these tacks he loses a few radicals and a few conservatives, but keeps more of both with him than he would on a straight course.

Prices and N R A are in for a divorce. Richberg doesn't like price control; Leon Henderson, N R A policy planner, is opposed to price regulation; and sad to say, some of the industries that once esteemed price control as above all other things in N R A are turning against it. By one of the strangest reversals of opinion which I have ever seen in the business world, the big fellows in some industries, once the warm friends of price control, are for kicking it out; while the little fellows who were weeping all over Congress about it last winter are now howling that they will be ruined without fixed prices.

Richberg is now beyond a doubt the boss mind of the recovery job. As head of the Industrial Recovery Committee and two or three other top-executive committees he has a place that Johnson never remotely glimpsed. He is, in fact, the industrial co-ordinator of America. If anybody had said two years ago that the militant attorney of the railway unions was to become the industrial dictator of the United States he would have been loudly ridiculed. General Johnson would have laughed long and loud at the idea that he had discovered the man who was to oust him.

Code representatives who have talked to Richberg during the last few days say he intends to shape N R A policy along less arbitrary and more tolerant lines than it took under General Johnson. Even on price regulation, although he is much against it in principle, he concedes that particular industries and particular situations may call for emergency methods which will indicate expediency first and general principle afterwards. This, too, is to be remembered: The N R A personnel learned a lot about industry during eighteen months, and there is scarcely a high official in the place who hasn't changed his attitude in consequence.

Some of these officials confess that they blush when they recall some of the things they did in the early days. One of the hardest boiled reformers in N R A said the other day that he was surprised to find how honest business is.

Budget balancing will go into the discard for two years more. Inflation therefore draws that much nearer. It could be avoided if there should come soon a real expansion of business—production—but the recovery policies of the Government don't make in that direction. Everything, almost, that the Government does these days along New Deal lines butts against recovery, for it either alarms capital or helps it to play safe without productive effort. Government apologists talk optimistically of swelling trade statistics and insist that production, even in the durable goods industries cannot long resist lively consumer buying.

They insist that commercial expansion will gain

momentum steadily. But the Jeremiahs declare that expanding trade without increasing production is a symptom of incipient inflation.

Growing arrogance of Government is seen in the panning the Federal Reserve Board gave its Advisory Council for tendering some advice—good, too. How absurd for the Brain Trust of the Reserve System to proffer advice in favor of sound money. When that Central Bank comes there will be no troubles of this sort. And I am really afraid that it will come at the next session of Congress. At the moment Washington feels that the Republicans will scarcely make a dent in the Democratic majorities in Congress. If the Dems keep a two-thirds majority in the House and gain it in the Senate success will go to the heads of the radicals.

Great majorities in Congress are a two-edged sword. They can make or break the Administration. They can pass Administration measures but they can also override vetos. And they weaken party discipline.

British system of integration of the executive and the legislative powers is what the President aims at—and that is why, in part, that he is accused of dictation. He thinks that all public policy legislation should originate with the executive. Let Congress accept or reject. With Congress and the White House of the same party, responsibility is then definitely centralized. This idea of placing legislative responsibility on the President really was planted when the present budget system was adopted.

But great off-year majorities in Congress will encourage all sort of individually initiated public bills. Little weather-beaten houses back home will be weighed against the White House.

Railroad executives think that the New Dealers are intent upon nationalization of the railways as the first big step toward socialization of industry. Present fight for higher freight rates and against railway pensions is partly designed to show the country that the plight of the railways is proof of governmental inefficiency and not a reason for more government. Executives feel that for the present at least this strategy has been effective in postponing nationalization until private control has had a trial. At present, they say, we have private ownership and blundering governmental management.

But 15 per cent increase in the volume of traffc would neutralize the latter—and how the railway executives do pray for that 15 per cent!

Silverites are abashed by China's appeal to President Roosevelt to let up on the boosting of silver. It was their contention that silver being the standard for half the world, we must have a restoration of silver in order to do business with that half. Now the nation that has the most of it says that the higher it gets the worse off that nation is. Why not? If cheap paper money is good for us, why should dear silver money be so advantageous for the Chinese?

Dear Chinese money is good for us—more exports from United States to China, but what the Chinese want is more exports to us. So, China may go to gold because it has silver.

People used to be money mad, but now they are money-scared. Popular topic when two or three people with cash get together here is: "What shall we do to be saved?" Man in St. Louis has found his answer in a hundred thousand tons of pig iron—imperishable, hard to steal, certain to go up in value as fast as money goes down. Iron was money once, but here's a man who thinks it is better than money now.

Wags who launched that yarn about the enticing business of non-hog raising under A A A economics are laughing now more uproariously than when they concocted it. That grand hoax rolled over the country like a waxing snowball, doing more damage to the something-for-nothing plans of A A A than all the cogent attacks of brass-tack economists. Finally, Secretary Wallace has solemnly branded it as a hoax and explained how such a live-stock venture could not be. Now, altogether, ha-ha-ha!

In proportion as N R A gets away from the emergency excuse—and the emergency gets away from N R A—the chances for hostile Supreme Court decisions increase. With people and industrialists yowling for freedom of action in order to meet the emergency, with price control and production curtailment on the toboggan slide to oblivion, and with the statutory limitation of the emergency period only eight months away, the cases now in and headed for the court are nothing to excite that body. The Administration is not much concerned about what the Court may do except as it may affect its attitude toward the permanent body it is planning to succeed N R A. Business, also, is now more concerned about the future than the present, having decided that N R A is now largely dead horse.

Housing Campaign is being pushed with more vigor in order to stimulate the heavy industries. Now estimated that over 50,000 loans for renovation, rebuilding and modernization have been made, and more are being closed daily. Banks are becoming more enthusiastic as eligibility of such loans is better understood. Manufacturers of building equipment are jubilant and aiding the movement through publicity and in financing consumer's purchases. Government is also attempting to improve mortgage market by R F C loans to trust companies and other mortgage institutions.

United States Court decision at Memphis enjoining control of prices by lumber code on ground that Industrial Recovery Act does not authorize price regulation causes Housing Administration considerable concern because of upsetting of the price structure in the building material industries. Fear is expressed that the public will hesitate on new housing expenditures until the situation is cleared.

Taxation is a soft pedal problem in Washington these ante-election days, but it will fill the air right after election. The expiring excise taxes must be removed or replaced. Tremendous pressure will be brought by consumers and producers to keep the gasoline tax from being renewed, but the Treasury is determined to keep this consumption tax; these are no times to throw away $200,000,000 a year, and my guess is that we shall have more rather than fewer excise taxes. I can see no political possibility for raising income taxes in the lower brackets. More practicable, politically, will be the taxation of corporate surplus.

Can the New Deal Break the Economic Jam?

Yes—Reasonable Modifications of Present Policies Can Restore Business to Prosperous Activity

By LAURENCE STERN

Wide World Photo

The President Reports to the Nation

THE universal desire in this country is the sense of security that comes from normal employment and a rising standard of living. It can be had, as we all know, only out of the full employment of the vast facilities of production that science, inventive genius, management and initiative have made available to us.

On this cardinal point there is no dispute between government and business. But there are very wide—and sincere—differences of opinion as to the methods and policies that should be pursued in the search for that more abundant life which lies so tantalizingly within reach of our potentialities.

In despair, we have in recent years increasingly placed our hope in the guiding hand of government—although we well know that government creates nothing, and that its abilities and capacities are merely regulative.

Of what has the resort to governmental guidance availed us? Let us not split hairs as to the numbers re-employed or the percentage of improvement in economic activity as compared with the depression low. The incontrovertible fact is that to date we have accomplished merely a partial and wholly inadequate recovery.

What is more important, there exists today a widespread lack of confidence that this partial recovery is continuing or that it is likely under present political and economic policies to carry us to the desired objective. A glance at the accompanying chart of business activity will show clearly that over the past year we have apparently reached an impasse—a stalemate in which economic activity has merely fluctuated meaninglessly within a depression range. It shows, in short, that in the production and distribution of goods and services an entire year has passed without convincing progress.

It is fair to point out that the majority of the remedial efforts of government were in full force during this disappointing period. Since they have not yielded the desired results, the only sensible course is to examine the reasons for their failure and thereafter modify them in the light of experience and practical necessity.

It is by no means coincidence that the President's radio address to the nation on September 30 centered chiefly on the recovery aspects of the New Deal's triple program of recovery, reform and relief. Recovery is inevitably the heart of this program, though the Administration has seemed at times not sufficiently aware of that reality. It will beyond doubt become increasingly alive to it from this point onward, for regardless of the vote in November the ultimate fate of the New Deal will be determined by its success or failure in restoring a satisfactory level of economic activity.

On the whole, the President's recent address strikes a reassuring tone in reiterating the Administration's reliance on the driving force of private initiative, in acknowledging the fallacious policies of N R A and promising correction of them, and in sanely calling for a specific period of truce between capital and labor. To a realist it must seem that he goes about as far as is practicable for him to go at this time of approaching elections in the effort to relieve the grave uncertainties of business and capital.

Nevertheless, it leaves much to be said and much to be done before the existing economic deadlock is broken; and delay in the solution of it will become increasingly painful in terms of both human and economic costs.

Accordingly, let us attempt herein to examine—as objectively as is humanly possible—the causes which have brought us to this impasse and explore the avenues of escape that appear open to us.

It will not be broken by a continued exchange of verbal brickbats between the New Dealers and business. It will not be broken by a stiffnecked insistence by either side that the other side surrender, confess itself wholly wrong and beg forgiveness. It will not be broken while business

expends more energy worrying about its burdens and obstacles than it does in adapting itself to the politico-economic evolution that is always setting up new conditions and relationships and always will. It will not be broken, on the other hand, if the New Deal continues to close its eyes to the practical problems which face the business man.

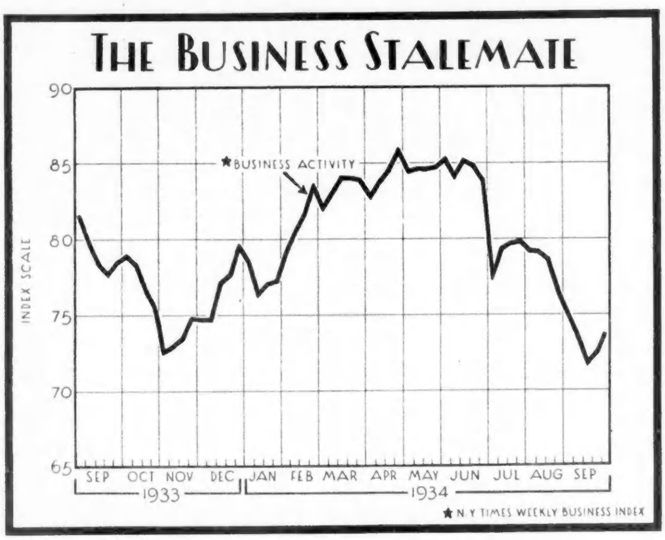
In short, what we need above all is a meeting of minds between the New Deal and capital, with mutual understanding of different points of view, between which, however, there need be no essential conflict.

Our fundamental problem is not prices, debt or wages; for these are but symptoms of economic illness. The fact that confronts us is that an economic mechanism of almost infinite capacities is at present unable to function with sufficient activity to produce a national living standard of even minimum decency.

That we have the facilities and the technical knowledge for production of a living standard higher than ever before known and cannot find means to use them adequately is an indictment of human genius—and not of human greed, as various New Dealers have naively charged. It is not surprising that the down-and-outer gazes upon these vast facilities with wonder and puzzlement. Their continued idleness is the real source of popular discontent, reflected in the search for governmental nostrums and panaceas; and the real threat both to our capitalistic order and to our traditional form of government.

Factories, machinery, labor, freight cars, mines, capital are idle or working part time. It is only the full functioning of all that makes prosperity. What is missing in the team play today? The answer is obvious. Capital is not at work. Until it goes to work, upon terms satisfactory to itself, all other parts of our economic system are halted or crippled. It will not work on the terms now offered.

And it is right here that the New Deal has made its most serious error in failing to take sufficiently into account the inherent characteristics of capital. If it contemplated a fundamental change in our economic system, that would be another matter. But as long as it relies "upon the driving force" of private initiative, as Mr. Roosevelt says it does, it must offer capital terms it is willing to accept. It has seemed to forget or ignore the old and decidedly apt saying that nothing is more timid than a million dollars.



In this situation, bearing in mind the reality that the Administration can not ignore political opinion—whether that opinion be sane or irrational—the only solution would seem to be a compromise between idealism and practicability.

We will get nowhere if capital refuses to play ball unless granted such impossibilities as an instant return to the gold standard at a fixed and final dollar parity; an instantly balanced budget; a withdrawal of governmental intervention in all forms.

On the other hand, we will also get nowhere if the Administration stubbornly holds to economic theories demonstrably unsound: the theory that we suffer from over-production of goods and of capacity to produce; that we must curtail production in order to sell less for more, although no industrial system is worth keeping unless it can continuously sell more for less. The theory that a prime need is the return to the economic yesterday of a particular price level that once existed. The theory that purchasing power could be expanded by the arbitrary raising of wages and shortening of hours, whereas the truth is that purchasing power can only be created out of the active production and distribution of goods and services.

To date the Administration has proceeded on the belief that its economic policies would within a reasonable time restore the economic mechanism to normal activity; and that, therefore, Federal pump-priming and the major part of the relief bill would be temporary. It is upon this premise that the whole fiscal program is predicated.

Well, then, since we have thus far gotten from the governmentally-primed pump only the energy that the Government itself has poured into it and the machine is unable to run on its own power, it would seem that the time has come to alter or modify policies that have not worked.

One can hope that the President's most recent address is the first chapter of a revised and more practical edition of the New Deal. But plainly the theme needs to be pursued further, more frankly, more specifically—if the confidence and initiative of capital is to be restored.

What should the Administration do? Obviously, this is a difficult question to answer specifically. But it is a fair question when criticism is voiced. We shall herewith try, therefore, to explore briefly some avenues of possible compromise and understanding.

To begin with, it seems to us that the New Deal has unnecessarily and excessively provoked the distrust and hostility of capital and industry, even allowing for the rules of the political game. It has persistently paraded to public view the follies and dishonesties of individuals in indictment of a whole economic order. It has assumed, with almost incredible naivete, that it possesses a virtual monopoly of righteousness and wisdom. Sparing no effort to discredit banking, financial and industrial leadership, it has ignored the truly amazing achievements of this country in the generations before the New Deal was born.

This is an absurdly distorted view that will not stand factual analysis. Accompanying this article is a chart of real wages which goes back over more than 100 years of American history. It shows beyond possibility of dispute that America of the "Old Order" was busily producing "the more abundant life" for the average man throughout most of its history, including that much berated period of the 20's when our living standard reached an all-time high, nearly 50 per cent above the pre-war standard; and more

than quadruple the living standard of Civil War days.

Again, let us briefly examine the much discussed matter of corporate profits under the "Old Order." Were they excessive, the fruits of greed and exploitation? The figures are from the United States Treasury. They show that the net profit, in percentage of sales or gross income, of all manufacturing companies between 1919 and 1932 averaged 3.76 per cent and that the highest yearly average—that of 1919—was 6.68 per cent. Such was the percentage retained, out of all values produced by manufacturers, for profit, for surplus, for expansion.

It is this narrow and uncertain margin that the New Deal is talking about when it sneers at the greed and exploitation of the "Old Order." Quite naturally, the average is made up of large profits in some instances—and equally large losses. The two are inseparably bound in our economic systems, for it is the *possibility* of large profit—and not "reasonable" profit—that feeds capitalistic initiative and induces it to risk losses against which there is no guarantee.

If we must seek a goat upon which to blame the depression, why overlook the obvious one? Namely, the World War. The real history of the past twenty years, with its inflation and deflation, is infallibly written in the gigantic distortions and dislocations of trade, industry and finance that inevitably result when the whole world goes insanely to war.

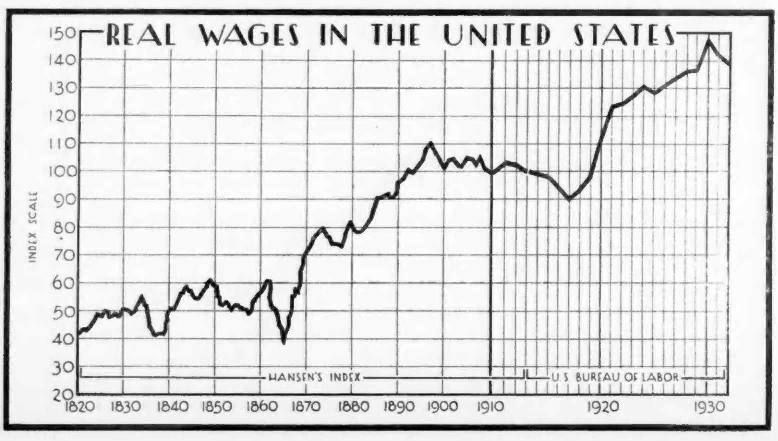
Well, then, why not let us be honest about the matter? Instead of lambasting a mythical "Old Order" and dashing off after a politically-manufactured Utopia, suppose the New Dealers would come to and act upon a conclusion something like this:

"We and the rest of the world have made some tragic mistakes and got ourselves in an awful mess. If there is blame, it obviously attaches to us all, and not to any one group or class. We are confronted with new conditions and exceedingly grave economic problems. Above all, we must find ways of utilizing fully and equitably the vast expansion of productive capacities left us by the war. This will require the highest wisdom and co-operation between government, industry and finance."

Would such a realistic attitude change the picture? Certainly it would create greatly toward mutual understanding.

Monetary Uncertainty

Next, let us see if anything can be done to relieve that hobgoblin of capital familiar to us all as "monetary uncertainty." We went off the gold standard and capital does not feel we are any too securely tied to it now—but we eat and sleep pretty much as before; and if American capital in the aggregate has lost anything in the 40 per cent depreciation of the gold value of the dollar this writer does not see it. We had enormous price fluctuations on the gold standard, and, therefore, wide fluctuations in the purchasing power of money, as well as wide risks in contractural obligations. Nor does it make sense to argue that at any time and under all conditions the individual is entitled to convert his wealth into gold and hold it as a personal property when its primary function is to serve as the national measuring rod of value and when its supply is a tiny fraction of the wealth convertible into money.



Nevertheless, any arbitrary change in a measure of value to which capital has become accustomed is an unsettling thing; and the possibility of successive changes is even more disturbing. It is our belief that to intelligent capital, at least, the most alarming thing was not so much our departure from gold and the revaluation of the dollar, as it was the frankly experimental attitude taken toward the monetary system by the Administration. It is one thing to abandon gold and say that we will not go back on until national and international economic conditions are such as to make it reasonably certain that we can determine the proper gold parity and maintain it indefinitely. It is quite another thing to experiment with "commodity dollar" theories, and with silver; and to rely indefinitely on the device of monetary manipulation as a primary economic lever.

Frank Talking Is Needed

There is evidence that the Administration has backed away from some of its earlier conceptions regarding the monetary system. But this is a matter of vital concern to everyone. Is there any reason why Mr. Roosevelt should not discuss this whole subject much more fully and frankly than he has yet done? Does he believe that our difficulty is still essentially a monetary maladjustment? Or is he sceptical of the possible benefits of further monetary manipulation? If so, surely he can find words which will end at least *some* of the uncertainty which now surrounds the dollar, even if he is unable to forecast when we shall go back to a gold standard, precisely the form of that standard and exactly the dollar parity. It is the ultimate basic integrity of the dollar that capital doubts. The President should indicate his firm purpose to defend that integrity to the limit of his power.

Related to the monetary problem is the matter of the unbalanced budget. The growth of the Federal debt is less than devastating thus far, in relation to the national wealth and to the deflation of private credit which it in part replaces. But it is the present prospect of indefinite continued expansion that is frightening. Moreover, capital has a justified impression that government is notoriously a profligate and wasteful spender. This has not been lessened by broad hints by more than one political candidate of his ability to obtain Federal funds for his district.

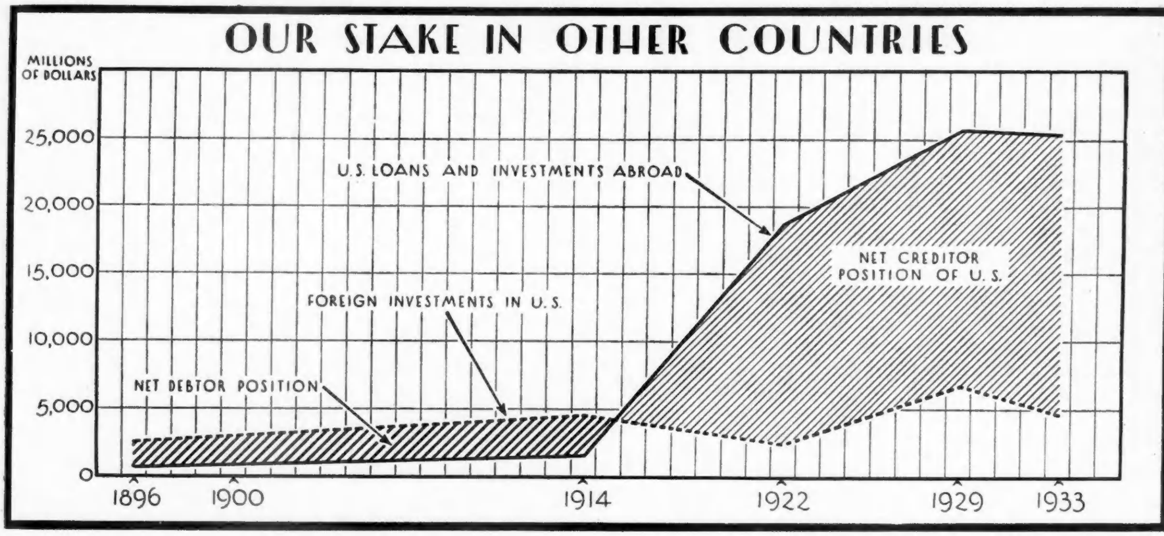
With a session of Congress looming up, it would be of much help to the morale of capital if Mr. Roosevelt will demonstrate that he possesses the will and the power to apply the brakes by putting relief on (*Please turn to page* 678)

The World's Largest Creditor

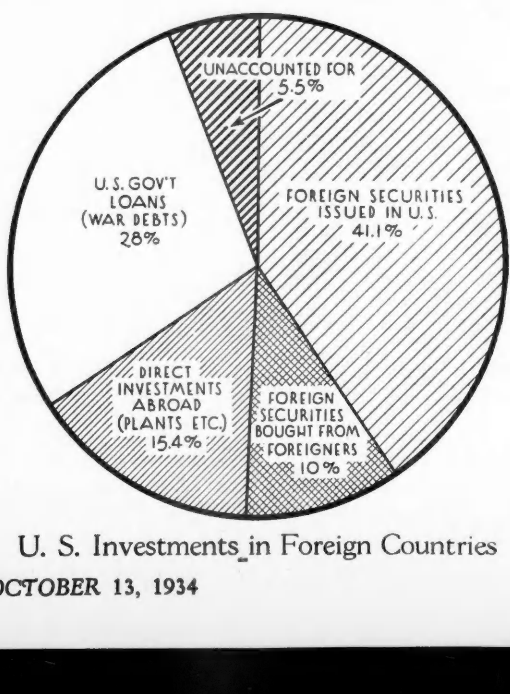
A Graphic Presentation of the Investment Position of the United States

By Warren Beecher

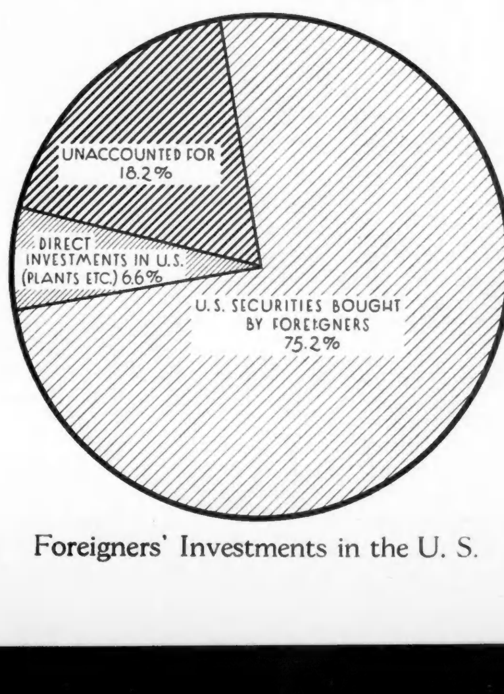
While the recent report on international credits which was recently submitted to the President by George N. Peek does not offer any startlingly new information, the period of 37 years covered serves to emphasize the great changes which this country has experienced with respect to its relations to the rest of the world. The chart immediately below shows how the increases in our foreign lendings have grown. Even apart from the war debts, they have been large enough to change us from a debtor nation to the world's largest creditor.



Our investments in other countries and foreigners' investments in the U. S. are made up as follows: (Proportions based on gross loans and investments as of December 31, 1933).



U. S. Investments in Foreign Countries



Foreigners' Investments in the U. S.

Significant Foreign Events

By George Berkalew

Foreign Representative of The Magazine of Wall Street

England—Franc Wise or Pound Foolish?

Several factors working in conjunction have contributed to the continued fall of the pound's value in international exchange.

To be sure the present economic situation in England is not perhaps as strong as it seems and the aggravation of the adverse trade balance, fosters misgivings as to the real worth of her currency. However other factors having a more pertinent bearing on current developments must not be ignored.

First: the two and one-half per cent rate of interest on French Treasury Bills as compared to three-quarters of one per cent in England has expatriated funds on the supposition that, for the near term, franc stability is assured. The dogged resistance of the gold bloc countries against outside pressure revived confidence in official declarations even in the face of Belgian difficulties—at least until the Saar plebiscite is ultimately decided in February.

Second: British investment trusts and individuals seeking more attractive yields than obtainable in England are gradually accumulating American utilities and industrials.

Third: The appreciable purchases of dollars during the past month reflect English payments on seasonal commercial obligations.

It is most unlikely, even in view of these factors that the pound sterling will fall below the rock bottom of 72.50 francs, now pivoting around 74.50 francs. If this contingency did materialize, we should be living in a new financial world—with greatly increased pressure on the franc.

* * *

France—Democracy on Trial

The prolonged period of political disunion was broken this month by the audacious radio address of the French Premier. Doumergue, with simple and succinct statements, presented the current political problem to the nation. Conservative France, following precedents established by Hitler, Mussolini and Roosevelt, has at last recognized the power of the radio as a means of moulding public opinion. With straightforward honesty, the venerable statesman challenged proponents of inflation; vigorously denounced socialists and communist factions; proposed subtle changes in the Constitution.

The subtle changes include primarily, the withdrawal of the power to propose budgetary expenditures from Parliament making this power the sole prerogative of the government; to facilitate the dissolution of the Chamber in case of emergency; to centralize administrative power in an executive known as "Prime Minister".

At the same time, individual and economic freedom must be preserved; the heritage of liberties so dearly won by the Revolution maintained. Since Pere Gaston has no axe to grind, Frenchmen turned their dials from tangos, tuned in for once on a political speech and were impressed. The hope is expresed that the critical discord in Parliament can be averted; that by direct appeal, national common sense will repudiate the claims of the communists and the blandishments of Common Front supporters. Many listeners, on second thought, were struck by the complete omission of any reference to the financial dilemma. No practical solution to arrest the declining purchasing power of the masses has been brought forward. To be sure, committees under Tardieu and Herriot compile tedious reports on theoretic methods of reducing the standard of living. The Ministry of Finance proposes the continuance of fiscal reform measures; no new taxes, no cut in civil employees' salaries. In fact, the 1935 budget shows a paper excess of receipts over expenditures of 38 million francs. Ignored are the following facts: a continued decline in the pound sterling widens the gap between French export prices and world prices; flagging business activity precludes the possibility that total tax receipts will attain budgetary figures; the proposed reduction of over 1 billion francs in military appropriations is rendered difficult when further mechanizations of the army will undoubtedly be required to offset a decline in eligibles for military service; finally the sinking fund office still provides funds for loan services customarily covered by tax receipts. In addition, unpaid credits in Holland (500,000,000 francs) must be liquidated; the three Cities Loan of 1,500,000,000 francs retired in October; outstanding Treasury bonds, which exceeded the 10-billion limit by 2,000,000 francs must be restored by October 1. The portion of the so-called Clementel bonds, which remains unconverted into the new 4½% unlimited government issue, must be met also by October. Cash receipts in excess of these services are vaguely estimated to be between 500,000,000 and 2,000,000,000 francs. The new loan is being quietly absorbed without startling repercussions, or great difficulty, but it seems likely that the government will require additional financing to meet other obligations which will mature later on.

Meanwhile, industry is burdened by excessive interest rates, the export and hotel business are stagnant, the farmer protests against the unremunerative yields of agricultural production. Unless the present economic policy can be more uniformly and constructively administered, inflation or devaluation of the franc, which may be accomplished without actual defection from the gold standard, will be inevitable through the force of circumstances.

Sweden—A Plethora of Capital

Financial circles forecast a new reduction in the Swedish discount rates, which since the first of December has remained at the record low level of 2½ per cent. The prospective rate of 2 per cent reflects a plethora of idle capital in the banks. According to reliable reports, private financial institutions have on deposit 350,000,000 kronen without interest at the Bank of Sweden. Meanwhile, the recent State Loan of 70 million 3½ per cent bonds was over subscribed five times.

Apparently, the Swedish tendency for alcoholic consumption (dating from the liquor monopoly of 1775), is in inverse ratio to Swedish investment conservatism. Apparently also, capitalists in that country are still cowed by the matchless dupery of the Kruger experiment.

* * *

Spain—Communism, the Fly in the Spanish Ointment

Spain, the third largest country of Europe with a territory nearly equal to that of France, contains a population of only 24,000,000 inhabitants and is notably behind other nations. The lack of development is attributed to two factors, first, the overweening power of the Church which has retarded the cultural advancement; second, the unscrupulous exploitation of the peasants by the Spanish grandees. Since the glorious days of conquest and the easily gained riches of the Spanish Main, the peninsular nation has declined under the combined rule of kings and clergy to the rank of a third class power.

With the bloodless revolution of 1931, social and economic reforms have been attempted. The republic is faced with the monumental task, first of improving methods of agricultural production in the fertile areas which had been left undeveloped by the great aristocratic land owners. In the less fertile areas, the use of chemical fertilizers could greatly increase the yield of wheat, barley and corn. The second problem of the new government, before industrial development can be achieved, is the systematic education of the population. Five years ago, 60 per cent of the population were estimated illiterate.

A certain advance in this field has already been achieved which, according to one of the attaches of the Spanish Embassy in Paris, accounts for the immature political movements of today. Spain is now suffering from growing pains, and modernistic political influences. This is apparent in the recent communistic uprising which to say the least is severely trying the strength of the present republican regime and might bring on its downfall if the highly individualistic character of the people is submerged.

According to official indications, in spite of the instability of the peseta and the co-existence of the world crisis, the currency is supported by a reserve of between 50 and 55 per cent in gold or gold exchange. The deficit in the commercial balance is not alarming, although the country, relying mainly on agricultural products, has been severely hit by the general decline in commodity prices.

Imports from the United States for the last year for which official statistics are available, amounted to 137,371,000 pesetas, while 53,793,000 pesetas represented exports to the United States. The chief items in our foreign trade with Spain include: cotton, oil, wood, automobiles, chemicals and mechanical equipment, which are exchanged for wine, olives and olive oil, specialty food products and fruit.

Under the new régime, with the need of agricultural equipment and industrial machinery, trade with the United States can be expected to expand. Preliminary negotiations for a commercial accord granting reciprocal commercial concessions, have been temporarily postponed pending the conclusion of the approaching elections in the United States.

* * *

Australia—Votes for Sound Finance

The Federal elections in Australia this month witnessed a decisive labor defeat. The tide is turning and the House is represented by a decidedly anti-socialist majority.

The Commonwealth, after suffering severely the pains of depression, staged a valiant comeback during the past three years. Electors, encouraged, voted for sound finance. Full credit is due Prime Minister Lyons for rehabilitating federal finances. Although certain deficits must still be wiped out, the rise in the price of wool, and subsequently the price of wheat, augurs well for the future of Australian economy.

Sketch by Jauzan, from Wide World.

President Doumergue Broadcasts a Speech

* * *

South America—Financial Markets Stronger

Participating in the general improvement in world conditions, at least economic if not political, South American commercial and financial markets are looking up. The strength of Brazilian bonds and Argentine securities reflects in part the upward price trend of these countries' exports, and in part the scarcity of reasonably secure foreign investments at attractive yields.

Their strength is also perhaps a reflection of the possibility that reciprocal trade agreements will be negotiated, as was the case with Cuba. If some such agreements could be arranged, it undoubtedly would react to the benefit of the holders of South American bonds in this country even though no specific arrangement was made for payment on debt service. There is, of course, the possibility that the nominal interest rate on certain foreign loans will have to be scaled down, but if the bondholder can only be certain of receiving his money under the new scale, he probably will be well satisfied.

Effective Americanism

Protection of Constitutional Rights of Labor, Farmers, Homeowners, Life Insurance Policy Holders, Savings Depositors, Stock and Bondholders, Business Men, the Aim of Growing Organization

By JOUETT SHOUSE

President, American Liberty League

THE American Liberty League is destined, I believe, to be the voice of the American people demanding observance of the Constitution of the United States. That demand will be made by methods to be selected to meet the various situations which may arise.

The personnel of the League's Executive Committee, as originally announced, is evidence of the character and the importance of the movement. John W. Davis, Alfred E. Smith, Nathan L. Miller, James W. Wadsworth and Irenee du Pont are the original members, but within a short time the Committee will be expanded to include twenty prominent men and women from all parts of the United States. Probably before this appears in print at least three or four new members will be announced. The non-partisan character of the League is, of course, thoroughly demonstrated by the personnel of the Executive Committee.

Wide World Photo

Jouett Shouse

A belief that the American people have not lost their respect for the institutions under which the nation has grown and prospered for more than one hundred and fifty years is one of the principal reasons for the League's establishment. It is believed that this organization can serve as a rallying point to make this traditional Americanism effective.

Growing Interest Manifest

The responses to the announcement of the League's formation have been encouraging beyond expectations. Those who have written in to express their willingness to join the League—both as regular and contributing members—represent practically every element in the population. The letters, and the contributions, come from artisans, laborers, the so-called white collar class, farmers, business men, both big and little, professional men, and from women in all walks of life. One of the most significant features of this avalanche of mail is the large number of members who have contributed one dollar each. There have been many larger contributions to be sure, but the one dollar contributions indicate a wide-spread public sentiment for the League's objectives which cannot be disregarded. They come from hard working, saving, thoughtful people who are not disposed to turn this nation over to the whims of a bureaucracy to be administered in the interests of particular classes, some deserving and some not. They indicate that those of the population who have been able to weather the depression and have at least something left—enough to permit them to make a dollar contribution—are not yet willing to surrender their economic interest and their social welfare to elements which either with or without reason are embittered and discontented.

The fact that the League stands for strict observance of the Constitution, is not to be interpreted as meaning that it is opposed to all suggested changes. We could not accept the Constitution as a whole without assenting to those provisions which make it possible to change the fundamentals of our political and economic structure through orderly methods. When and if proposals are made for such changes the League will express its attitude toward them without hesitation.

However, changing the Constitution through the time-honored and orderly process of amendment is one thing; changing it by evasion, by legislation so drawn that it is difficult, if not impossible, to obtain a clear-cut judicial decision as to the law's validity, by delegating extra-Constitutional powers to a horde of new bureaus, some of which are exercising functions belonging to other branches of the Government, is quite another matter.

Dictatorial Power Must End

Events of recent months have indicated that when faced with an emergency Congress is all too likely to evade some of its own responsibilities by handing over some of its powers to Executive agencies. That is a tendency which is accentuated by repetition. It is also a tendency which is basically opposed to the Constitutional conception of the division of the powers of the Government into the Legislative, Executive and Judicial.

Probably the tendency of human nature which impels many public men to seek the easiest way out of difficulties is responsible for this situation. That is a more plausible theory than the idea that anywhere in our government at present—at least any responsible quarter—is there a desire to see the Executive vested permanently with dictatorial powers. But regardless of how this situation developed, it must be ended.

Dangerous Methods

We want to see Congress resume its proper role as the national legislature; to take up again its constitutional authority. We want to see Congress, composed of free representatives of a free people, determine the policies of this nation without regard for factional interests or the political and economic fads which have arisen from the stress of the times. This objective goes far beyond the question of the intrinsic merits of individual laws, whether emergency or otherwise. There is a principle at stake which involves the entire structure of government as we have known it in the United States. For the sake of argument at least it might be admitted that every delegation of power within recent years, that every emergency measure taken, has been justified by results, and yet the principle would remain that some of the methods utilized are extremely dangerous.

In some quarters there is a tendency to try to differentiate among the various kinds of rights enjoyed by men. There is talk of property rights and human rights and the thought is frequently advanced that the two classes are separate and mutually exclusive. That classification is sheer nonsense. Property rights are human rights. Without assurances that his government will protect him in the possession and use of his property lawfully acquired, the average man has no guarantee of other rights. Property and the lawful use thereof—including salaries as well as income from other sources—constitutes the machinery through which a man is able to live freely within the law.

The League in its statement of principles makes this declaration:

"Take away a man's home or business and you have robbed him of his opportunity. Take away by the caprice of bureaucracy or the tyranny of autocratic power the savings of men, women and children throughout the land and you have not merely taken their property away, but you have forced them into the bread-lines of our tragic discontent."

Against the various agencies which press upon Congress and the Executive the selfish interests of groups and the fallacious doctrines of over-specialized specialists and alien philosophies, we shall speak for the democratic economic and political rights of our people. But we shall not become so diffuse that we shall be without effective strength. We intend to speak for common interests, but they will be expressed by and through particular groups. Among the organized divisions of the League will be those of *labor, farmers, homeowners, life insurance policy holders, savings depositors, stockholders, bondholders, merchants, and others.*

The views of millions of citizens mobilized and co-ordinated through the various divisions of the League will be presented from time to time to Congress and to other officers of government. This, it is hoped, will serve a dual purpose. In the first place, it will put officials on notice when proposals are advanced which are opposed to traditional American Constitutional principles. Secondly, it will give assurance of support to those officials who wish to maintain the nation's best traditions and are frequently subjected to strong pressure to do otherwise.

It is hoped that in this manner the nation will be saved from dangerous experiments in the fields of economics and government—experiments based more on pure academic theories than upon the substantial realities of sound economics and political science.

During the next few years, perhaps during the next few months, the American people will be faced with the necessity of making a decision comparable to that which was made when the Declaration of Independence was signed. It will be a decision embodying many elements and the net result will determine whether or not the political and the economic structure of the United States is to be continued along the lines which have prevailed in the past. In the making of that decision the American Liberty League expects to have an influential voice. It will have such a voice because its objectives are such as commend themselves to a substantial majority of American citizens.

Constitutional Rights Inviolate

It is not the intent of the League nor is it incumbent upon the League to write a new Bill of Rights or to rewrite the Constitution. It happens to be the sworn duty of public officials to protect the Constitution—including the Bill of Rights. There are, of course, honest differences of opinion as to the proper interpretation of various parts of the Constitution. Those who wrote the Constitution were wise enough to foresee that difficulty. Hence they provided for the Supreme Court of the United States. It is the belief of the League, and that belief will be advocated vigorously, that the Federal Judiciary is the only tribunal competent to exercise this interpretative power.

Those who founded the American Liberty League and the many thousands who have already flocked to its support are convinced that fundamental laws of economics and the basic attributes of human nature cannot be changed by the enactment of a statute nor by the fiat of a government or a governmental bureau. The United States has had some recent experiences which seem to indicate a substantial foundation for that belief.

The Constitution of the United States is the edict of the American People. The people have the right and they have the power to change the terms of that edict, but their servants in public office have no such right nor power. As the educational program of the American Liberty League is unfolded, the people will be given an opportunity to become informed as to the specific instances in which the terms of this popular edict have been disregarded. That may be unpleasant from the standpoint of some public servants, but it is highly essential that it be done. Furthermore, it will be done.

This publication has long favored a movement whereby investors might organize for the protection of their rights. It appears that the stockholders' and bondholders' division of the American Liberty League offers an opportunity to join with others in securing proper recognition and protection. We are therefore glad to open our pages to Mr. Shouse for a reiteration of what the League stands for and for a report on the progress of its development.

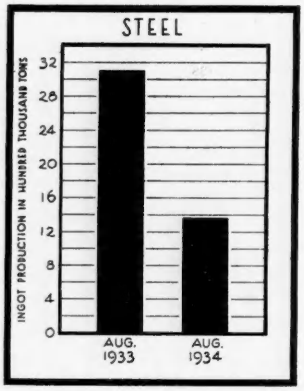
Some Industries Are Making Headway Against the Trend—Others Are Only Holding Their Ground—A Few Are Slipping Back

Where Does Industry Stand?

Comparison and Outlook for Leading Lines and Important Companies

By STANLEY DEVLIN

SEPTEMBER 21st, officially marked the end of the summer and the beginning of autumn. After the languors of summer, business normally heralds the advent of fall by a healthy and vigorous warming-up. This year, however, business with an almost flagrant disregard of the calendar, has but barely responded to the change of seasons.



This is not the first occasion that business has acted contrarily to seasonal precedent. In April and November, 1933, and again in April, this year, activity turned upward against the normal trend in those months. There is, however, no logical basis for concluding that the normal pattern of business activity is being permanently altered. It is rather that business since the bank holiday of 1933 has been subjected to unusual conditions. The principal impulses affecting trade and commercial activity have originated in Washington and seasonal influences have been of secondary importance.

The importance of sentiment in the present situation cannot be denied. For that reason it is possible that the vigor of renewed activity might easily materialize with the dispelling of current uncertainty. Right now it would seem that much of business sentiment is resigned to the worst—and it is rarely that the worst happens. For that matter the best is likewise rarely achieved but in either event it is the practicalities which finally prevail. What then are the practical aspects of the business situation today? This can best be determined by an examination of the status of a number of the important and basic industries.

Two Grand Divisions

Discussion of the subject is facilitated by the division of major industries into two groups: those engaged in the production of durable goods and those producing consumption goods. Durable goods are made from lasting materials and include steel, metals, machinery, buildings, railroad and agricultural equipment, automobiles and trucks, locomotives, etc. Consumption goods, on the other hand, are those which are used up rapidly in the course of our daily existence and include, food, clothing, tobacco, textiles, petroleum and the like. Each of the industries comprising both classifications, of course, subject to varied conditions but grouped as they are, there are certain inherent factors noteworthy because of their important bearing upon current prospects.

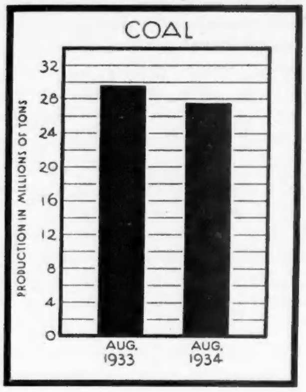
Because of the more or less permanent nature of the products of those industries comprising the first group, it is possible to extend their useful life almost indefinitely and during periods of depression replacement demand dwindles to a fractional part of normal. Consumption goods, on the other hand, are used up rapidly and replacements, even during periods of depression, assure a sustained demand. While reduced purchasing power and unemployment has naturally had a restricting effect upon the industries comprising this group it has been slight in comparison with the drastic decline in the output and profits of the durable goods industries. Over a period of nearly thirty-five years the variations in the output of durable goods has been nearly three times as great that of consumption goods. While there has been a marked improvement in the production of both consumption and durable goods since the low point of 1932, the relation of production to normal in both groups is still about equal to the low point reached in the severe depression of 1921.

While no one can say with certainty that removal of the fears now inhibiting capital would produce a prolonged and widespread revival of the capital goods industries, the fact remains that government spending has fallen far short of its mark and to subscribe confidently to the belief that it *must* sooner or later become effective is merely whistling in the dark. Even should the shackles be stricken from private initiative, the revival of the heavy industries is more than likely to be gradual.

Steel

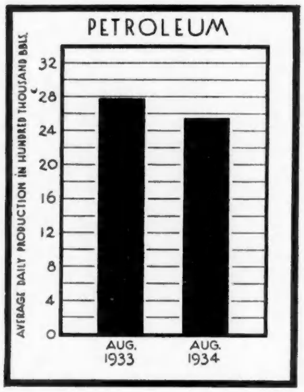
Because of the basic position held by the steel industry, it has suffered severely from the restricted demand for capital goods. Normal activity in the steel industry always in the past depended upon railroads construction, pipe lines, machinery, especially heavy machinery, automobiles and tinplate. This year, however automobiles and tinplate have been the mainstays. In perhaps no other industry is the restoration of the normal flow of funds into long-term investment a more vital factor than the steel industry.

That revival of capital goods buying would not necessarily have to be on a large scale is indicated by the results in the second quarter of this year. For that period thirteen



of the leading steel producers showed a net profit of more than $20,000,000 on operations which averaged less than 54 per cent of capacity. In the first quarter, with operations at about 40 per cent, the same companies reported an aggregate loss of $7,293,000. The industry, in the second quarter was favored by fortuitous circumstances but that does not alter the fact that good profits could be shown with operations utilizing only about half of the rated capacity of the industry.

The relatively high level of activity which characterized the industry in the second quarter was the result of a considerable volume of forward buying which occurred earlier in the year in anticipation of higher prices. With July, however, began a precipitous decline in operations to a low point equal to about 18 per cent of capacity. The average for the quarter was less than 25 per cent. Since Labor Day, there has been a creeping advance in operations and in the final week of September were estimated at 23.2 per cent of capacity as contrasted with 37 a year ago. In the final quarter the industry should have the benefit of enlarged orders from the automobile industry in preparation of new models and there should be some business from consumers who allowed inventories to decline through the third quarter. No important demand from railroads is looked for during the next few months and while several important government projects may materialize, in the aggregate steel operations for the final quarter may not better appreciably the results in the initial three months of the year.



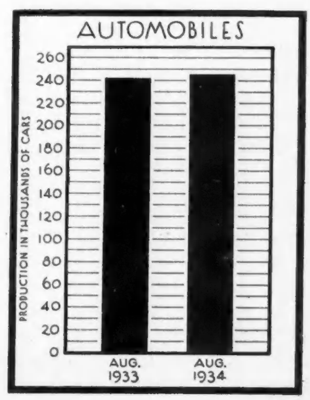
Taking the experience of a medium-sized steel company, it is found that currently wage rates are 15 per cent higher than in 1929, while the company actually received more than 30 per cent less for its products. Assuming that this is fairly typical of the industry as a whole, it is rather apparent that increased efficiency and important economies have been of salutary importance in enabling companies to show a profit at partial capacity. Financially, it would appear that the industry had weathered one of the most serious depressions in a creditable fashion, aside from the rather heavy dividend casualties. Some progress is being made in liquidating arrears on preferred shares but there is nothing in the present earnings prospect likely to produce common dividends for some little time yet. In the meanwhile, producers of lighter forms of steel have an advantage over the large companies with a diversified output, National Steel common stock is the only investment condidate, while the shares of U. S. Steel, Bethlehem, American Rolling Mills and Youngstown Sheet & Tube have speculative merit.

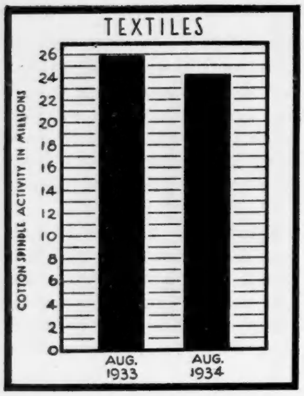
The automobile industry has been making a determined effort to achieve the distinction of leading the country out of the depression. Not only has the industry staged a remarkable comeback but it has held its gains in a convincing manner. Automobile output in the first eight months of 1933 was about 40 per cent larger than a year earlier and in the first eight months of this year it was 50 per cent higher than in 1933 and more than twice as large as two years ago. In that period the industry produced 2,215,724 passenger cars, trucks and taxicabs and production for the full year should reach 2,500,000 units, at least. This would be within 500,000 of the estimated normal replacement demand, and would compare with total output of 1,920,057 in 1933.

According to registration figures the decline in the number of motor vehicles in operation from the peak levels of 1929 has been relatively small. From this it may be reasoned that while current production is not far short of normal replacement demand, there is still a large deferred demand which would doubtless make itself felt with a further restoration of public confidence and purchasing power. Although retail sales have shown a decline during the past two months, the drop has been no greater than ordinarily occurs at this season of the year and with the industry constantly striving to improve its products, keeping prices within reasonable limits, the prospects would seem to favor some further upturn in production and sales in 1935.

Although the automobile industry as such has demonstrated its vitality, profits have been highly concentrated with the three leading companies—Ford, General Motors and Chrysler. In the first six months of this year, ten automobile companies, exclusive of General Motors and Ford, reported a deficit of $6,187,000 as against a deficit of $5,342,000 in the same period of 1933. General Motors, on the other hand reported a gain of nearly 45 per cent in *profits*. Rising costs and increasing competition are cutting into profit margins and the smaller companies are unable to offset these restrictions by large volume. Numerous independents are investigating the advantages of consolidation and from present indications there are likely to be a number of mergers in the industry, shortly. As a consequence competition is likely to become more severe—if such a thing is possible. The potentialities in the situation are too uncertain and for this reason automobile equities as a group must be rated as speculative. By virtue of their leadership, General Motors and Chrysler are best equipped to at least hold their own but in the meantime Ford, no longer a "dark horse" will continue a formidable contender in the low-priced field—which has become the industry's bread and butter.

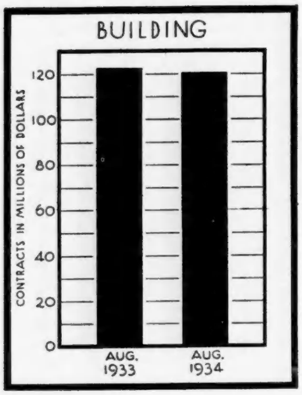
The building industry has been harder hit by the depression than almost any other and unemployment among workers normally engaging in construction activities is still greater than in any of the major groups. Moreover, this deplorable state of affairs has been reflected in a virtual host of other fields either directly or indirectly related to the building industry. There is no gainsaying the important stature of the industry and for this reason the attempts of the Administration to promote revival would seem much more meritorious than its efforts





in some other directions.

Notwithstanding the efforts of the Government through public works projects and the National Housing Act, the building industry has shown a minimum of recuperation. For the first eight months of this year building contracts awarded in 37 eastern states, according to the F. W. Dodge Corp., totalled $1,093,962,800 as compared with $620,937,600 in the like period of 1933 and $929,836,500 in the similar period of 1932. The increase this year, however, is almost wholly accounted for by non-residential building and public works, while residential building, on the other hand, registered declines for four consecutive months beginning last May. For the month of August, residential building was 15 per cent behind August, 1933, and for the full year this type of building is unlikely to exceed appreciably, and may even fall behind last year's total.



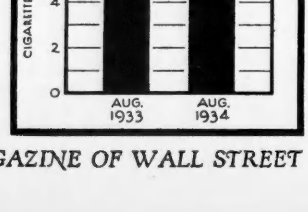
Two conclusions are to be drawn from these figures. First it is apparent that the government housing program is without appreciable effect—as yet, although its potentialities are large. While modernization loans total only $4,600,000, according to the latest report of the Housing Administration, more and more banks are extending loans. In fact more credit is being offered than borrowers demand. If the movement continues to gain headway various companies manufacturing building supplies will benefit, but insofar as the broker business aspects are concerned, it should be borne in mind that residential construction, upon which the program is concentrated, normally accounts for only a small part of the new building in this country. Total building construction in 1925, at the height of the building boom, amounted to $13,000,000,000. Of this figure, however, one-family houses accounted for only $3,500,000,000. The depression carried construction figures down to about $1,000,000,000 last year, including private dwellings of about $250,000,000.

Actually, the government housing program has done little to remove the obstacles in the path of building revival. Costs are still excessive, and this applies to labor as well as material. Many municipalities are suffering financial straits and large corporations are unwilling to undertake any expansion so long as long term financing is difficult to arrange and the profit incentive remains obscure. The removal of these obstacles is essential to real recovery in the building industries and until they are, the results of the government program are unlikely to be consequential. Obviously, the shares of companies identified with the building industry must be regarded with a longer term viewpoint. Diversity of output and replacement demand, however, currently favors such companies as Johns-Manville, American Radiator and U. S. Gypsum.

The force of the same conditions which have stifled the building industry is being felt in varying degrees by the manufacturers of equipment and machinery. In the case of railway equipment they are intensified by the unfavorable turn in railroad earnings during the past several months and the added wage and pension costs with which the roads have been saddled. As a consequence, and pending a reversal in the traffic trend, it is unlikely that new equipment and replacements will be purchased beyond minimum requirements. After an auspicious start, with sales and collections rising for five consecutive months, the drought intervened to restrict the recovery trend in evidence for manufacturers of farming machinery and equipment. While results as a whole will be better for the full year, profitable operations generally will not be shown. The advance in costs has been greater than the rise in prices. Government funds and higher prices will enlarge substantially agricultural purchasing power this year and to this extent equipment manufacturers are raising their hopes for 1935. Although subject to some decline in the final months orders booked by the leading manufacturers of electrical equipment will show a substantial gain for the year accompanied by improved financial results. Considering that the increased business is almost entirely accounted for by the lighter types of electrical appliances, motors, lamps, etc., the progress which the industry has made toward recovery has been quite surprising and leads to the conclusion that research and diversification tend to assure manufacturers a fair volume of business, until the potentialities of railroad, public utility and industrial purchases are nearer to realization.

In the face of the business uncertainties which have arisen during the past several months, sales of office and business equipment have held up rather well. Such recession as has occurred has been about in line with the normal experience of the industry at this season of the year. From this point on sales will doubtless conform to the pattern of general business and while the important export outlets are not particularly promising at this time, it is a fair assumption that there will be no serious interruption in forward progress of representative manufacturers. Economies in selling and administration costs have alleviated the effects of higher labor costs and profit margins generally are satisfactory. The shares of International Business Machines invite investment consideration while such issues as Underwood-Elliott-Fisher, Burroughs Adding Machine and Remington Rand are worthy candidates in a more speculative program.

To retail trade goes the distinction of being the single important industry which has thus far fulfilled expectations of a fall business upturn—according to schedule. Not only is this important in so far as retail trade figures supply one of the brightest spots in the business picture at this time, but added significance attaches to the trend of retail trade for it is reflective of the trend in many of the industries which are properly classified in the consumption goods group. Improving retail sales must inevitably redound to the benefit of such industries as food, textile, clothing, shoe and tobacco.



Beginning in the last half of August, sales of department stores and variety stores have

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Outlook for Second Grade Bonds

Higher Yields Than Elsewhere Prove Attractive But Attendant Risks Must Be Recognized

By J. S. WILLIAMS

Representative Group of Second Grade Bonds

Company	Recent Quotation	Current Yield %
Armour & Co. of Del. 5½s, '43	98	5.6
Certain-Teed Prod. 5½s, '48	59	9.3
Childs Co. 5s, '46	48	10.4
Container Corp. 6s, '46	91	6.6
B. F. Goodrich 6s, '45	83	7.2
International Paper 5s '47	68	7.4
McKesson & Robbins 5½s, '50	86	6.4
Phil. & Reading Coal & Iron 6s, '49	48	12.5
Remington Rand 5½s, '47	93	6.0
United Drug 5s, '53	83	6.0
Youngstown S. & T. 5s, '78	84	6.0

THE principal concern of the investor today is the manner by which he can best safeguard his capital against the unknown factors of tomorrow. During the past year, the investor has been forced to alter considerably his conceptions of sound investment procedure and accept the fundamental logic of changed conditions. On the one hand he is confronted with the implied menace to high grade bonds by the Government's unorthodox monetary policies. On the other hand, the ordinary risks inherent to stocks must now include the threat of increased taxation and political regulation.

Under the circumstances, it is small wonder that investors are seeking desperately for some means of assuring the security of their capital, to say nothing of investment income upon which they may be more or less dependent. It is important, therefore, that every advantage be taken of individual securities incorporating features which may tend to offset the general disadvantages of their class. Let us in this connection consider the case for second grade bonds.

In many respects, second grade bonds are very similar to preferred stocks. Having a fixed rate of return, the possibilities of price appreciation are necessarily limited, while the possibilities of loss may be fully as great as in a common stock. As a matter of fact, there are some common stocks which are distinctly superior to second grade bonds but taken by and large, holders of second bonds fared better throughout the depression than did the holders of the rank and file of common stocks. This also holds true of the past year.

The chief appeal which second grade bonds offer emanates from their more generous yield. This is an important point to be borne in mind for it is the real basis of investment approach to second grade bonds—not with a view to speculative profits or security, albeit second grade bonds offer both in some measure. This is not to say that the higher the yield, the more attractive the bond—quite the contrary—but rather that the investor should consider second grade issues primarily as a medium for obtaining a greater return on his capital.

For this the investor must be prepared to forego the greater security afforded by high grade bonds.

Does the end justify the means? In other words does an increase from say $40 to $60 in the annual income on a $1,000 bond compensate for the sacrifice of superior mortgage lien, for example, and perhaps the greater peace of mind induced by higher grade investments? This must remain largely an academic question to be answered individually. There is, however, no gainsaying the fact that a definite accomplishment results. The investor has protected his purchasing power against a rise in prices and an increased cost of living to the extent of the difference between $40 and $60.

Second grade bonds obviously carry the association of some corporate or industrial weakness, retrogression or depression, and bonds of this caliber are influenced to a greater degree by the trend of business and corporate earnings. Consequently, they have a tendency to move pretty much in sympathy with stock market. Not subject, therefore, to the same influences which govern the market for high grade bonds, second grade bonds must be selected by a somewhat different technique of analysis.

The desire of any company to pay its interest can be taken for granted so long as it is able to obtain the funds to do so. The recent case of several railroads which took full advantage of the grace period exemplifies this point. Default of interest means that control of the property passes from the stockholders to the bondholders. The fact that a particular bond has been reduced to a lower investment status because of a decline in earnings need not signify that the company's outlook is hopeless and that there is nothing ahead but poorer results. Many companies, which have fared rather badly during the 1931-1933 period will regain a good part of their former earning power with any return to normal business conditions. If such reasoning is applicable to common stocks, it likewise applies to second grade bond issues.

In the meantime, the bonds of those companies which are well fortified financially are obviously in little danger of default. Among those companies which have suffered substantial losses in earning power during the depression, there are a surprisingly large number which have been able to husband their working capital and are adequately provided with liquid resources. This condition is of greater advantage to the bondholder than it is to the stockholder, at the present time at least.

Consistent with the investor's desire to protect himself against a rise in prices, the choice of second grade

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The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration, while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Cin. Union Terminal 1st "A" 4½s, 2020	36	36	....	....	107½ '35*	106	4.2	Guarantors include the B. & O., the C. & O. Norfolk & Western and Pennsylvania.
Missouri-Kansas-Texas R. R.								
Prior Lien "A" 5s, 1962	107	62	1.0	.8	105	77	6.9	Reasonably good bond.
Adjustment "A" 5s, 1967	107	14	1.0	.8	100	41	12.2§	Junior to issue above. Interest cumulative, but contingent.
★M., K. & T. 1st 4s, 1990	107	39	1.0	.8	N C	86	4.7	Underlies issues above.
New York Central R. R.								
Consolidation 4s, 1998	671	68	.7	.9	N C	82	4.9	A strong investment issue.
Coll. Tr. Conv. 6s, 1944	671	60	.7	.9	105*	113	4.4	Convertible 25 shares com. per $1000. Well secured.
Ref. & Imp. "A" 4½s, 2013	671	355	.7	.9	110	59	7.6	Fair grade only.
Conv. Deb. 6s, 5.1.35	671	12	.7	.9	110	95	6.3§	None too strong.
★★N. Y. C. & H. R. Mtge. 3½s, 1997	671	94	.7	.9	N C	91	3.9	High grade underlying bonds.
N. Y. C. & H. R. 30-yr. 4s, 1942	671	9	.7	.9	N C	95	4.8	Rank with Cons. 4s, 1998.
N. Y. C. & H. R. Lake Shore Coll. 3½s, '98	671	23	.7	.9	N C	79	4.5	Prior in lien to Cons. 4s, 1998. Strong bonds.
N. Y. C. & H. R. Mich. Cent. Coll. 3½s, '98	671	19	.7	.9	N C	80	4.4	
Lake Shore & M. S. 1st 3½s, 1997	671	50	.7	.9	N C	91	3.9	High grade investment.
Chic., Ind. & Sou. Mtge. 4s, 1956	671	15	.7	.9	N C	89	4.8	Reasonably good bond.
Cleveland Short Line 1st 4½s, 1961	671	12	.7	.9	N C	100	4.5	Strong issue.
Jamestown, Frank. & Clear. 1st 4s, 1959	671	11	.7	.9	N C	82	5.3	Good caliber.
C., C., C., & St. Louis Ry.								
Gen. 4s, 1993	671	33	.7	.9	N C	86	4.7	Better grade.
Ref. & Imp. "E" 4½s, 1977	671	65	.7	.9	105 '47*	69	6.7	Junior to issue above.
Michigan Central R. R.								
1st 3½s, 1952	671	18	.7	.9	N C	97	3.7	High grade.
Ref. & Imp. "C" 4½s, 1979	671	18	.7	.9	105*	...	...	Junior to issue above.
Canada Southern Cons. "A" 5s, 1962	671	29	.7	.9	N C	103	4.8	Better grade issues.
Detroit R. T. (D. T. & T.) 1st 4½s, '61	671	18	.7	.9	N C	104	4.2	
N. Y. & Harlem Ref. (now 1st) 3½s, 2000	671	12	.7	.9	N C	95	3.7	Of the highest caliber.
West Shore 1st 4s, 2361	671	49	.7	.9	N C	81	4.9	Strong, well-situated bond.
N. Y., N. H. & Hartford R. R.								
1st & Ref. 4½s, 1967	256	83	1.0	.7	105 '37*	49	9.7	Large debt equally secured. No more than fair grade.
Non-conv. Deb. 4s, 1956	256	50	1.0	.7	N C	44	10.6	Equally secured with 1st & Ref. bonds.
Secured 6s, 1940	256	18	1.0	.7	105	66	14.7	Secured pledge $23,000,000 1st & Ref. 6s.
Conv. Deb. 6s, 1948	256	39	1.0	.7	N C	59	12.2	Equally secured with 1st & Ref. bonds.
Deb. 4s, 1957	256	15	1.0	.7	N C	37	10.8§	Unsecured by mortgage. Semi-speculative.
★Harlem Riv. & Port Chester 1st 4s, '54	256	15	1.0	.7	N C	95	4.4	Better grade investment.
Central New England 1st 4s, 1961	256	13	1.0	.7	105	67	6.6	Of good caliber.
New England R. R. Cons. 4s, 1945	256	18	1.0	.7	N C	71	8.0	Reasonably good issue.
Guaranteed Issues								
N. Y., West. & Boston 1st 4½s, 1946	..	19	....	....	110	37	12.2§	Bond is speculative on its own merits.
New York, Ontario & Western Ry.								
Ref. (now 1st) 4s, 1992	30	20	1.5	1.2	N C	60	6.8	Medium grade.
Gen. 4s, 1955	30	9	1.5	1.2	110	52	9.2	Junior to issue above.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Brooklyn Edison Gen. "A" 5s, 1949	67	56	4.8	4.4	105	110	4.1	Of the highest grade.
Columbia Gas & El. Deb. 5s, 1952	171	105	2.4	2.1	104*	83	6.6	Position improved. Reasonably strong.
Columbus Ry., Power & Light Co.								
★1st & Ref. "A" 4½s, 1957	24	19	2.9	2.5	105*	93	5.0	Better grade investment.
Convertible 5½s, 1942	24	5	2.9	2.5	105*	104	4.8	Security equivalent to issue above.
Cons. Gas of New York								
★Debenture 4½s, 1951	398	140	3.7	3.2	106*	100	4.5	Better grade, despite the possibility of lower rates.
Westchester Lighting 1st 5s, 1950	398	9	3.7	3.2	N C	113	3.9	Of the highest grade.
N. Y. & Westchester Ltg. Gen. 4s, 2004	398	10	3.7	3.2	100	100	4.0	Junior to issue above, but still strong.
Detroit Edison Gen. & Ref. (now 1st) "D" 4½s, 1961	134	134	2.1	1.9	105 '41*	103	4.3	Entitled to a high grade rating.

Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Georgia Power 1st & Ref. 5s, 1967	117	98	2.0	1.8	105*	77	6.8	Rate reductions lower caliber somewhat. Medium grade.
Indianapolis Pwr. & Lt. 1st "A" 5s, 1957	38	38	2.0	1.9	104*	97	5.2	Good grade.
**Kansas City Power & Light 1st 4½s, 1961	41	41	3.1	2.6	110	109	4.0	High grade.
New York Edison								
1st Lien & Ref. "B" 5s, 1944	123	85	5.0	4.4	105*	109	3.9	High grade investment bond.
N. Y. Gas & El. Lt., Heat & Pwr. 1st 5s, 1948	123	15	5.0	4.4	N C	115	3.6	Assumed by New York Edison.
do P. M. 4s, 1949	123	21	5.0	4.4	N C	105	3.6	Gilt edged.
*N. Y. Power & Light 1st 4½s, 1967	67	66	2.1	1.8	105*	90	5.1	Good caliber.
North American Deb. 5s, 1961	317	25	1.7	1.5	104½*	83	6.3	Among the better holding company issues.
Oklahoma Gas & Electric Co.								
1st 5s, 1950	43	34	1.8	1.7	104*	94	5.6	Reasonably good bond.
Deb. 6s, 1940	43	7	1.8	1.7	102½*	87	8.8	Junior to issue above and prior liens thereto.
Philadelphia Electric Co.								
1st 5s, 1966	168	57	3.3	3.3	110	113	4.2	High grade.
1st Lien & Ref. 4½s, 1967	168	33	3.3	3.3	104½*	108	4.1	First 5s, pledged under this issue make it almost as strong as one above.
1st & Ref. 4s, 1971	168	59	3.3	3.3	102½*	103	3.8	Junior to two issues above, but still strong.
Philadelphia El. Pwr. 1st 5½s, 1972	35	35	1.6	1.6	106*	109	5.0	Not obligation Phil. El. Co. Good caliber.
Pug. Sd. Pr. & Lt. 1st & Ref. "A" 5½s, '49	75	63	1.8	1.2	103½*	55	12.0	None too strongly situated.
Southwestern Bell Tel. 1st & Ref. 5s, 1954	50	49	5.0	4.7	105*	109	4.3	High grade.
Texas Electric Service 1st 5s, 1960	34	34	2.0	1.7	105*	79	6.7	Coverage for charges lower. Medium grade.
Utah Power & Light Co.								
1st 5s, 1944	54	37	1.6	1.2	105	67	10.4	Only fair grade.
1st & Gen. 4½s, 1944	54	5	1.6	1.2	102*	60	11.5	Equal amount of 1st 5s, pledged hereunder.
Deb. "A" 6s, 2022	54	5	1.6	1.2	110*	49	12.3§	Jr. to two issues above. Almost speculative.
Utah Lt. & Trac. 1st & Ref. "A" 5s, 1944	12	12	1.0	1.0	105	64	11.0	Guaranteed by Utah Power & Light.

Industrials

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
American International Conv. Deb. 5½s, 1949	14	14	1.0	1.1	105	86	7.0	Reasonably well protected.
American Radiator Deb. 4½s, 1947	10	10	....	....	101½*	104	4.1	Company's business is still poor, but bond is a strong one.
Am. Smelting & Refining 1st "A" 5s, 1947	38	36	def	4.0	100	105	4.5	Now better grade.
Armour & Co. (Ill.) R. E. 4½s, 6.1.39	90	38	.2p	1.5p	102½	100	4.5	pYears to 10.31. Of good caliber.
Armour & Co. of Delaware 1st 5½s, 1943	42	42	.2p	1.5p	105	98	5.8	pYears to 10.31. Illinois company guarantees. Fair grade.
Com'l Investment Tr. Conv. Deb. 5½s, '49	18	18	5.6	8.8	110*	109	4.7	Business good. Well-protected issue.
Crane Co. Notes 5s, 1940	11	11	def	def	101¼*	98	5.4	Standing improved recently. Good grade.
Dodge Bros. Deb. 6s, 1940	30	30	def q	4.5q	105*	107	4.7	qChrysler's earnings. $10,000,000 have been called Nov. 1.
Goodrich (B. F.)								
1st 6½s, 1947	38	16	def	1.0	107	103	6.1	Fairly sound issue.
Conv. Deb. 6s, 1945	38	22	def	1.0	105½*	82	8.6	Junior to issue above.
*Goodyear Tire & Rub. 1st & Coll. 5s, 1957	58	54	.8	2.1	103*	101	4.9	Good grade investment.
Lehigh Coal & Navig. Cons. "A" 4½s, 1954	32	20	1.6	1.6	105	99	4.6	Good grade.
National Steel 1st Coll. 5s, 1956	39	37	1.8	2.3	105*	103	4.8	Entitled to a high rating.
Phillips Petroleum Deb. 5¼s, 6.1.39	27	27	1.3	1.7	101*	101	5.0	Company's financial position much improved.
*Remington-Rand Deb. "A" 5½s, 1947	18	18	def c	2.2c	104*	93	6.3	cYears to 3.31.33/34. Company strong financially and doing better.
Standard Oil Co. (N. J.) Deb. 5s, 1946	124	90	2.6	6.0	102*	106	4.3	An investment of the highest caliber.
Western Electric Deb. 5s, 1944	35	35	def	def	105*	104	4.5	Despite recent poor earning power, company is still strong and the bond a good one.

Short-Term Issues

Company	Due date	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
**Atlantic Refining Deb. 5s	7.1.37	14	5.9	10.1	NC	107	2.2	Better grade investment.
Buffalo Gen. El. 1st Ref. 5s	4.1.39	7	2.6	2.1	105	...	...	High grade bond.
Chicago Gas Light & Coke 1st 5s	7.1.37	10	1.9	....	NC	103	3.9	Better grade investment.
Gulf Oil Deb. 5s	12.1.37	28	1.4	def	103½	105	3.2	Better grade issue.
Humble Oil & Refining Deb. 5s	4.1.37	19	9.1	18.2	102	...	...	Entire issue called Oct. 1, 1934.
Midvale Steel & Ordnance Conv. 5s	3.1.36	31	def h	def h	105	102	3.6	hEarnings Bethlehem Steel. Better grade.
**New York Telephone 1st & Gen. 4½s	11.1.39	61	3.4	4.6	110	108	2.6	Gilt-edged.
Pacific Tel. & Tel. 1st & Coll. 5s	1.2.37	26	4.1	3.8	110	106	2.0	Of the highest grade.

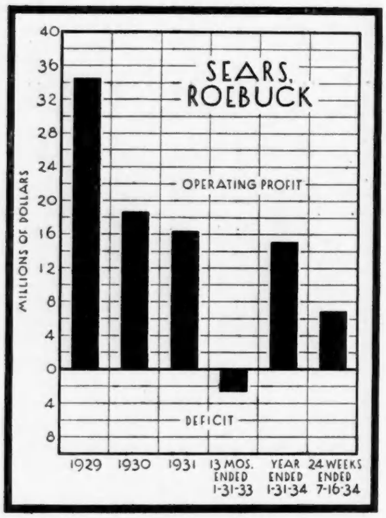
† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded debt and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. ** Our preferences where safety of principal is predominant consideration. * Our preferences where some slight risk may be taken in order to obtain a higher return. § Current yield.

The Mail Order Outlook

Leading Companies Have Turned from Deficits to Profits—How Soon Can Dividends Be Paid?

By J. C. Clifford

HIGH hopes were held for the mail order houses during the first part of the current year. Sales ran 20%, 30%, 40% and even 50% above comparative periods in 1933 and company earnings moved sharply from the "red" to the "black". It will be remembered, however, that the early part of this year was being compared with a period during which all the banks in the country were about to close and then, when they *did* all close, business in general came quite naturally to an abrupt halt. Comparing this year to last, therefore, must take into consideration that the base was at first very low and that, as the base rose with the re-opening of the banks and the widespread improvement which followed, the comparison might be expected to become less favorable.



Yet, while this accounts, in part, for the seemingly less favorable showing made by the mail order companies in recent months, it is not the whole story. They actually have done less well in the absolute sense. Their business was adversely affected by the drought for one thing. Then there was the general summer slump which was somewhat more intense than was expected. Now, however, under the impetus of the customary fall pick-up and with the Government's drought relief and other agricultural money working its way into channels of private trade, the mail orders again are going ahead. Is this just a flash in the pan, or is the longer-term outlook definitely improved?

Low Price Makes Volume

The mail orders have at least done one thing which might be calculated to give the current upswing a firm base: they are no longer participants in the dangerous policy of raising prices faster than their customers' incomes are increasing. Of course, their prices as a whole are considerably higher than those prevailing during the depths of the depression, but the upward movement was definitely checked with the publication of fall catalogues. In August, Sears, Roebuck stated: "You will note that prices in this book, despite advances in raw materials, wage rates and increased expense in practically every direction, are in most cases below those of our spring catalogue, and in many cases lower than a year ago." Montgomery Ward's fall catalogue carried prices either unchanged or somewhat lower than in its spring book.

A question concerning margin of profit always arises following the point that selling prices are being kept stable in the face of increasing costs. With the mail orders at the present time, however, there are dangers of error in jumping to an adverse conclusion. Probably the raising of prices in 1933 and the spring of 1934 was done rather too heavily. It will be remembered it was said at this time that inflation was upon us and that the price of all things tangible would soar out of sight. Companies in the merchandising business could hardly have failed to be influenced by the popular conception and they probably experienced some fear that it would be impossible to replace merchandise inventory at a price commensurate with selling quotations. They raised prices with a heavy hand. Now, however, it is dawning upon everyone that if we are to have reflation, or inflation, or whatever it is that will raise the general price level, it is very slow in getting under way and that there is still business safety in seeking no more than a moderate profit margin. If this is a correct interpretation of what has happened, the increase in sales which is resulting from the present pricing policy of the mail order houses should more than offset anything in the way of a smaller profit margin.

Moreover, it is to be remembered that the mail order background is now a great deal healthier than it was a year or two ago. During the prosperous times immediately preceding the advent of the depression, mail order companies almost without exception went on an expansion spree. Montgomery Ward went heavily into the chain store business. It opened up here, there and everywhere; obligated itself for boom-time rentals; and all just before the crash of sales, prices, rentals and everything that went to make up the business. In one sense, it was fortunate that the company had previously managed to raise almost $100,000,000 from stock offerings, for if the money had been borrowed from the banks, or raised through the sale of bonds, stockholders would have been left only with the right to subscribe to a reorganization.

The Period of Expansion

Not that Montgomery Ward should be singled out as a dire example of excessive expansion; other companies were equally guilty. Although Sears, Roebuck did not go relatively into retail stores as heavily nor as recklessly as Montgomery Ward, it did undertake considerable expansion in this direction. Moreover, Sears, Roebuck had additional troubles in its home-building

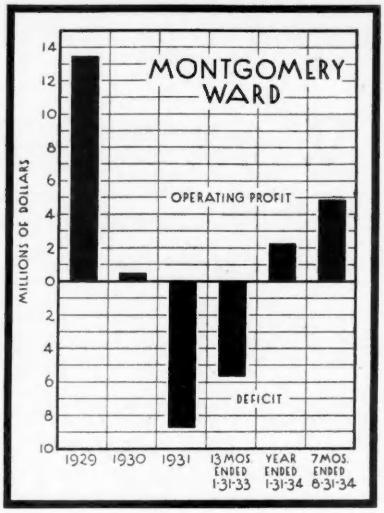
division, the wholly-owned Encyclopaedia Britannica, and because of "repurchase" agreements which made it necessary to outlay large sums of money at awkward moments. As for the smaller mail order companies, some actually went under. National Bellas Hess, for example, owing to gross over-expansion and dissipation of working capital was placed in receivership early in 1932. This company might well have disappeared altogether, but reorganized on a shoestring by men who apparently know their business and who concentrated on the basic mail order business, it is showing quite remarkable recuperative powers. Spiegel, May, Stern, like Montgomery Ward and Sears, also was bitten by the retail store germ. Steps were taken to liquidate the operating subsidiary of these stores in the fall of 1931.

As has been said, however, the basic mail order situation is now much healthier. The follies of the recent past have been fully recognized for some time and the work of correction has made progress. Large numbers of unprofitable stores have been closed and, while certain companies are still opening stores, a great deal of care is being spent on their location. On the whole, there has been a quite definite swing to the fundamental mail order business which in the past proved so profitable and which there is every reason to suppose will prove profitable in the future. Especially is this so if the companies can only keep the dead-wood out of their organizations and are given reasonable conditions of general business under which to operate.

When it comes to selecting the stock of some particular mail order house for investment or speculation, it is not easy in the abstract to make an intelligent choice. The mail orders seem to have their times of prosperity and their times of adversity more as a unit than a similar group of companies in other industries. If this is so, and one should decide that the business as a whole was on the upgrade, then the thing to do, of course, would be to buy the most speculative issue. On the other hand, there is the obvious risk to this that one might be wrong, or at least that the anticipated improvement might be longer in developing than was expected. If this were to happen, the stronger position obviously is in the better companies. Let us look over the various units individually.

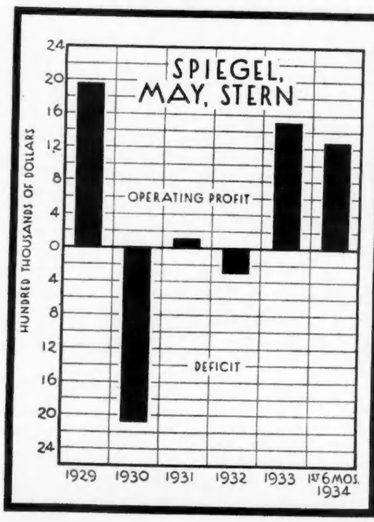
Sears, Roebuck

Sears, Roebuck is the largest of them all. Indeed, it is often said to be the world's largest retailer of general merchandise. From a net income in 1929



of more than $30,000,000, the earnings of this company slipped steadily downward until, for the thirteen months ended January, 1933, there was a net loss in excess of $2,500,000. In the fiscal year ended last January, however, there was considerable improvement, net profit being about $11,200,000, or the equivalent of $2.35 a share on each of the 4,781,111 shares of common stock outstanding.

For the twenty-four weeks ended July 16 of this year, Sears earned $6,808,189 before Federal taxes, compared with $1,619,811 in the corresponding period of 1933. There also has been an improvement in the company's financial position. At the end of the last fiscal year, the ratio of current assets to current liabilities was only 2.3 to 1, with notes payable amounting to almost $32,000,000. On the favorable side, however, it is to be noted that there is no funded debt—not even preferred stock—the common stock



constituting the sole capital liability.

While Montgomery Ward's sales established a high record in 1929, so far as earnings were concerned the company already was on the downward slope. And what a slope it proved to be! From a record "black" figure of nearly $18,000,000 in 1928, the company lost more than $14,000,000 in the twenty-five months preceding January, 1933. As was the case with Sears, Ward's affairs turned for the better in 1933, earnings for the fiscal year ended January, 1934, being $2,227,957, or the equivalent of 18 cents on each of the 4,467,240 shares of common stock outstanding, allowing only regular preferred dividends on which there are dividend accumulations of $7 a share. For the six months ended July 31 of this year, Montgomery Ward earned $4,158,695 after all charges including Federal taxes. This was equivalent to 77 cents a common share, allowing only regular dividends on the preferred. Financially, the company is strong. Long-term debt is very small, there are no bank loans and the ratio of current assets to current liabilities is better than 9 to 1.

The Smaller Companies

Although there is no comparison in point of size, the improvement from the depths of the depression made by Spiegel, May, Stern has been by far the most sensational of all the mail order companies on a per-share basis. A large loss in 1932 was turned into a profit in 1933 equivalent to $6.02 a common share, allowing only for regular dividends on the preferred which, like Montgomery Ward's, also had accumulations, now liquidated. For the first six months of this year, Spiegel, May, Stern earned the equivalent of $6.47 a common share, allowing only for regular preferred dividends. Such a showing is naturally impressive and affords a valid explanation of the stock's sensational rise from a low this year of $19 a share to almost $70 a share. Financially, the company's position is not particularly strong.

Any consideration of National Bellas Hess must be made with the thought in mind that it very recently was a bankrupt concern and that, while the struggle from the mire has progressed, there has hardly been time as yet for the company to attain a thoroughly sound position. It is to be noted, however, that for the fiscal year ended July 31, last, the company earned $171,279 after expenses and Federal taxes (the Income Account made no mention of depreciation).

The enthusiasm of the prospective

(*Please turn to page 682*)

INTERNATIONAL TEL. & TEL.

The Worst Is Behind

Bank Loans Reduced—Foreign Exchange Position Improved—Revenues and Profits Increased

By Francis C. Fullerton

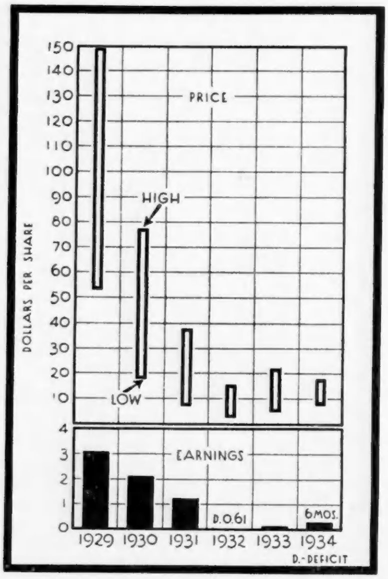
IN the glamorous prosperity of the Twenties, few common stocks appealed more strongly to the speculative imagination than International Telephone & Telegraph. It had been born in Cuba in 1920 as a relatively small enterprise and in less than a decade had mushroomed to giant size in the field of world communications. Its operations, including telephone, telegraph, radio, cable and the manufacture of equipment, had expanded to fifty-eight countries. Its profits had increased only slightly less sensationally than its properties. Both as regards technological achievement and the opportunity for growth of modern communication in backward countries its possibilities appeared to be almost without limit.

And then came the deluge. Depression swept irresistibly over the entire world. For the first time the weaknesses of boom-time corporate ventures were starkly revealed, and notably so in the case of International Telephone. The common stock, which had climbed close to $150 a share in 1929, crashed down to less than $20 a share by the end of 1930.

From Riches to Rags

At the latter level it appeared to have discounted a large part of the company's troubles, but the depression had only begun and was destined to reach yet more acute stages in 1931 and 1932. The company's difficulties were correspondingly aggravated. By mid-1932 the stock had sagged to less than $3 a share.

This record reflects a number of weaknesses, of course, in the position of the stock, other than the depression decline in revenues which affected all business. The company had been organized and had acquired its properties in a period of inflated world prices. It had not had sufficient time either to bulwark its financial position or to work its properties into the most efficient operating status. It was con-



fronted in various countries with unstable political conditions capable of affecting its properties and revenues at any time. Finally, it was hard hit by the depreciation of various foreign currencies, resulting in exchange losses on the transfer of foreign revenues into dollars.

The fact that the stock in today's market commands a price of only $10 a share is obvious indication that a highly speculative flavor still attaches to it. Nevertheless, this price—low as it is in comparison with 1929 quotations—does reflect a change for the better in the company's affairs.

The question of vital interest to thousands of shareholders today is: How significant is the change and what is the prospect of further improvement?

The hopeful factors merit brief summary. First and above all, the depths of world depression have been put behind. This means that International Telephone, put together and greatly expanded in a boom era, has *taken* the hardest blow that could conceivably come its way and has stood up under the impact. Whereas stockholders in 1932 had some reason to wonder whether *any* equity would be preserved for them, their conjecture now centers on how large the equity in future will be. This is a vast and basic change.

Factors of Improvement

Second, partial world recovery has tended to increase revenues. Third, depreciation of the dollar has been a boon to this company, converting previous foreign exchange losses into gains. Thus, whereas foreign exchange losses of more than $2,000,000 were shown for each of the years 1931 and 1932, a foreign exchange gain of more than $10,000,000 was shown for 1933. Fourth, working capital position is being gradually strengthened, present bank loans of less than $31,000,000 comparing with more than $44,000,000 at the end of 1931. Fifth, the necessary concentration of the company's efforts on consolidation, rather than expansion, in the years since 1929 has produced substantial gains in its over-all efficiency.

Such is the list of improvements. It need hardly be said that they still leave much to be accomplished before an equity so distant from the underlying properties can be considered as anything more than a radical speculation. The obligations ranking prior to the 6,399,000 shares of common include $36,263,000 in preferred stocks of subsidiary companies and $194,615,000 in funded debt of the holding company and of subsidiaries.

Above we have dealt with statistics and economic trends subject to fairly easy measurement. It is far more difficult, if not impossible, to arrive at any fixed conclusion regarding that very important aspect of the company's problem which centers on its public relationships within the various countries in which it operates.

Here we are faced with political

potentialities differing from country to country and subject to no generalization whatever. As we have learned even in the United States, public utilities operate perforce within a sphere of special public interest and are subject to policies and decisions of government which can and do control rates and limit, if not curtail, profits.

Attacking utilities as monopolistic monsters has long been the easiest and simplest technique of the politicians, and this habit is not confined to the United States. From the point of view of the politician seeking votes, it has usually proved a successful formula. That is why it is not only not discarded, but exploited more vigorously than ever before.

Regardless of variations, it would seem a reasonable conclusion that for years to come, if not indefinitely, every major utility will be confronted with a trend toward increasing governmental intervention, interference or control.

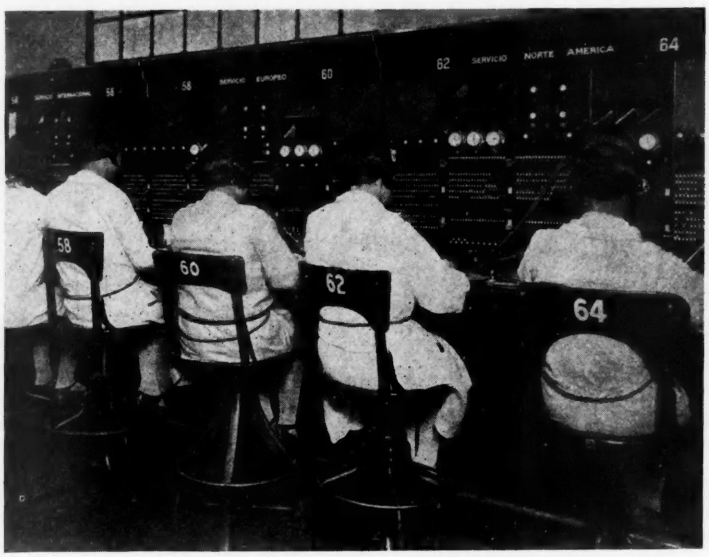
Against this—and certain to prove out in the long run—is the unquestionable superiority, efficiency and cheapness of the services rendered by International Telephone in comparison with former such services in the countries in which it operates or in comparison with services which could be had from governmental operation in any such country.

Clearly the chief defense here can only be ever-increasing efficiency, as reflected in the quality and cost of communication services. It is only thus that popular favor in the long run can be won and retained. In point of satisfactory service, the odds thus far appear to be decidedly in favor of the company. Moreover, the major success of the utilities is founded on the growing public demand which is attracted over the years by ever better service and ever lower rates. This is not to deny, of course, that at any time forced rate reductions which are out of line with both cost reduction and early expansion of demand can seriously impair profit margins.

It is perhaps instinctive for Americans to have qualms about the foreign political uncertainties facing any corporation operating in fifty-eight countries, and to prefer to speculate in equities closer home. Yet this attitude smacks somewhat of the pot calling the kettle black. In the United States today all utilities are more or less at the mercy of governmental policy. We see their costs raised and their rates lowered by forces beyond their control. We see them faced with the threat of actual governmental competition in vast Federal hydro-electric projects now under construction at Muscle Shoals, Boulder Dam and the Grand Coulee. Moreover, all interstate communications have but recently been brought under the Federal Communications Commission.

As we survey the home area, therefore, the thought suggests itself that the political uncertainties confronting International Telephone in strange lands may easily be given exaggerated significance. One may even contend, with some logic, that this company's political risks are spread over fifty-eight countries and are thus diversified, in contrast to the domestic utilities.

Admittedly, International Telephone has run up against problems, frictions and threats in the political sphere in various countries from time to time. It has had such problems in Spain and Cuba, for example, to mention only two. Threats have been heard in Mexico.



Long Distance Switchboard for International Service at Buenos Aires

Matters of this kind flare into the newspapers from time to time and alarm stockholders, only to blow over—at least most have thus far—with concessions or adjustments of one kind or another. Such incidents are certain to recur in one spot or another when a company deals in fifty-eight countries. It can not be denied that this probability constitutes a speculative hazard.

On the other hand the company's status today, after several years in which the economic and political storms have blown fiercely, would appear adequate proof that it is directed by able, wise and flexible management. Certainly it has thus far lost no ground in respect to territorial operations, and, indeed, has continued to expand its services in various countries, notably the telephone service in Spain. Incidentally, its big headache happens to be not abroad at all, but right here in the United States in the form of the Postal Telegraph which it acquired in 1928 and which remains in the red, although less so at present than a year ago.

In Argentina, Brazil and Chile modifications favorable to International Telephone have recently been made in foreign exchange restrictions, enabling it to convert into dollars the income accounts for the first half of this year of the associated companies operating in these countries.

The consolidated report of the company for the six months ended June 30 shows earnings of $1,697,933, after all reserves and prior charges. This is equal to 27 cents a share on the stock and compares with a loss of $642,310 in the first half of 1933.

In summary, the company's position relative to world economic and currency trends is substantially improved and has a reasonable chance to improve further. Its position relative to foreign political uncertainties is no worse than it has heretofore been, and should tend to become more secure if world recovery proceeds further; since economic recovery is the great sedative for the world's political indispositions.

While purchase of this stock should only be undertaken with clear recognition of the not inconsiderable speculative risk involved, the time has passed, in the writer's opinion, when shareholders who have stuck with it through a crucial period should sacrifice their holdings. Recovery will be slow, but in any event the worst is now behind.

Enviable Earnings Record

A Boom Era Consolidation That Has Proved Solidly Founded

By Phillip Dobbs

DESPITE the fact that it is really a boom-time product, for it was in the years between 1927 and 1929 that the greater part of the company's expansion was undertaken, General Foods weathered the depression very well. Indeed, it was not until 1932 that the adverse effects of a declining volume of sales at declining prices became a serious matter at all. And even in that year earnings were substantial, which is in marked contrast with the showing made by industry as a whole.

That this should be so is in many respects extraordinary. Here was General Foods continuing to make money purveying foodstuffs in everyday use at a substantial premium when so many people were unable to find the wherewithal to pay even the base price for the stuff, let alone the premium. It is, of course, undeniable that General Foods' business consists of taking some simple substance, waving a wand over it and then, with the help of one of the largest advertising funds in the country, selling it at a handsome profit. And, so long as the American people are what they are, and remain willing to pay the premium that is asked for foodstuffs of admittedly good quality, packaged conveniently, the continued prosperity of General Foods seems assured.

The company is the outgrowth of the old Postum Co. which made Postum Cereal, Post Toasties, Post Bran Flakes, Instant Postum and Grape-Nuts. Starting in 1925, however, these original lines were expanded to include Jell-O, Swans Down Cake Flour, Minute Tapioca, Baker's Chocolate and coconut products, Log Cabin Maple Syrup, Sanka and Maxwell House coffees, Certo, Diamond Crystal Salt, Calumet Baking Powder, and other well-known package groceries. While no official figures are available, it is understood that all these products contribute their share to General Foods' income. The company's one acquisition that did not prove instantly profitable has been Frosted Foods. This wholly-owned subsidiary is the owner and operator of a quick freezing process which preserves the flavor of meats, fish, fruit and vegetables. The trouble appears to lie partly in the fact that the foodstuffs, once frozen, have to be kept at a low temperature by the retailer and the necessary equipment is expensive. Also, the public at large have not yet been educated to buy these frozen foods; it is thought that the choice lies only between fresh or canned. Nevertheless, General Foods has a lot of money in Frosted Foods, still believes in the future possibilities of the process, and is continuing with its regional campaigns to create a commercial demand. It is likely, however, to be some time before such an objective is attained satisfactorily.

From the standpoint of an earnings record, the showing made by General Foods is difficult to beat. Net income rose steadily from less than $3,000,000 in 1923 to more than $19,000,000 in 1929 and 1930. It slipped off to almost $18,000,000 in 1931, took a nose-dive to the $10,000,000-mark in 1932, and then rose to $11,032,948 in 1933. For this last year, earnings were equivalent to $2.10 a share on each of the 5,251,468 shares of no-par common stock outstanding, compared with $1.97 a share in 1932. For the first half of this year, earnings were equivalent to $1.12 a share, as against $1.20 in the first half of 1933.

It is to be noted, however, that the second quarter of 1934 contributed only 42 cents a share to the half year's earnings. The sharp falling-off in the second quarter appears to have been the result of an over-stocked dealer position and the decline which was under way in general business conditions. More recently the excessive dealer inventory has been worked off and this, coupled with the general improvement that now appears to be taking place, makes the company's present position a more enviable one.

General Foods Income Account

	Three Months to 6/30/34	Three Months to 3/31/34
Gross profit	$11,218,740	$12,718,908
Expenses & other charges	8,387,058	8,034,318
Depreciation	494,058	486,322
Profit	2,337,624	4,198,270
Other income	234,421	195,595
Total income	2,572,045	4,393,865
Federal Taxes	368,983	714,215
Net Profit	2,203,062	3,679,650
Earned per share	$0.42	$0.70

The capitalization of General Foods consists solely of the common stock. There is neither funded debt nor preferred stock. Financially, the company is very strong. Of the $61,000,000 in total assets, more than half, or some $35,000,000, were current at the end of last year. Of the latter, $10,500,000, was in the form of cash, bankers' acceptances and marketable securities. Current liabilities were only slightly in excess of $5,000,000.

At the present time, General Foods is paying regular cash dividends on its common stock amounting to $1.80 a share annually. While earnings are not greatly in excess of this rate, the company's internal position appears to need no strengthening and it would be logical to expect that even a moderate improvement in earning power would find quick re-

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GOLD DUST CORP.

Wide Diversity of Interests

Rising Food Prices May Prove Beneficial

By PHILLIP DOBBS

THE Gold Dust Corp. is one of those curious companies whose activities defy standard classification. It is like Glidden with its food and paint lines in this respect. The present Gold Dust company was formed in 1923 and was the outgrowth of the long-established soap and washing powder business of N. K. Fairbanks & Co. Starting with "Gold Dust," "Fairy Soap" and "Sunny Monday Soap," the company a year or two later acquired a shoe-polish business and its line was expanded to include "Two-in-One," "Bixby" and "Shinola." In 1928, it acquired the food products division of the American Linseed Co. This was a trade-marked food business —Best Foods, Inc.—a company now controlled jointly with General Foods. And so were Nucoa not butter, a margarine, and salad dressing added to cleansers and shoe polish. Later, Gold Dust exchanged a portion of its stock for shares in Standard Milling, one of the largest flour milling concerns in the world, and this bracketed "Hecker's Superlative Flour," "Hecker's Farina," "Force," etc., with a collection strange already. Still later, a large block of stock in the Beech-Nut Packing Co. was purchased from the United Cigar Stores Co., thereby adding, albeit indirectly, to the company's stake in the food industry.

Yet, despite the strange assortment of things which it purveys, Gold Dust has not been unsuccessful. The company negotiated the depression without a loss at any period, although naturally net profit declined sharply between 1929 and the present time. The slump was particularly severe in 1931. In 1933, the company reported net profit of $2,666,029 after depreciation and Federal taxes and this, after dividend requirements on the $6 preferred stock, was equivalent to $1.30 a share on each of the 1,772,902 shares of no-par common stock outstanding with the public and excluding the 53,000 shares held by the company itself as an investment. In 1932, the company's earnings were equivalent to $1.22 a share of common stock.

This year, Gold Dust decided, because much of its business was connected with grain, that it would use a fiscal year—June to June—instead of the calendar year. In order to avoid, therefore, a whole eighteen months without a report to stockholders, the company issued a special report for the six months ending June 30, 1934. This showed a net profit of $1,039,103 after Federal taxes and other deductions and this, after dividend requirements on the preferred, was equivalent to 48 cents a common share, not including the 40,000 shares held by the company itself at this time. No comparison, of course, between this report and the corresponding six months of 1933 is possible.

Gold Dust Corp.
Income Account

	6 Months to 6/30/34	Full Year 1933
Profit (after taxes and deductions)	$1,357,803	$3,302,586
Depreciation	318,700	636,557
Net profit	$1,039,103	$2,666,029
Shares outstanding with public	1,786,002	1,772,902
Earned per share	$0.48	$1.30

Currently, Gold Dust is paying $1.20 a share annually in dividends and, while the seasonal influence on the business is not known, it would appear from the six months statement that this dividend for the full year 1934 will not be earned without an improvement in business. A paragraph in the report for the first six months of this year tends to confirm this expectation. It said: "Volume of business in general, compared with the corresponding period of 1933 was satisfactory, but profit margins have been reduced by the greatly increased costs with no opportunity under present conditions to offset any substantial portion of such increases through adjustment of sales prices of the coporation's products. It is hoped that there will be some relief in this respect but as to when or how the management is unable to predict." In view of this, it is hardly surprising that the stock currently affords a high yield; at today's price of $17 a share the return is slightly better than 7%.

On the other hand, if consideration is given to capitalization and financial position, Gold Dust's dividend appears more assured than on the basis of earnings alone. Capitalization outstanding with the public consists of 60,000 shares of $6 cumulative, convertible preferred stock of $100 par value and 1,786,002 shares of common stock of no-par value. There is no long-term debt whatsoever. Financially, Gold Dust is strong. At the end of last June, current assets amounted to $15,692,306, of which $6,746,624 was in the form of cash or United States Government securities. Current liabilities at that time totaled $4,454,905.

An appraisal of Gold Dust's future is obscured, of course, to some extent by the great diversity of activities in which it engages. It is commonly held that rising butter prices will benefit margarine sales, but whether this advantage will be realized and unimpaired by declining sales in other divisions of the business remains to be seen. For after all Gold Dust is concerned not only with a variety of prod-

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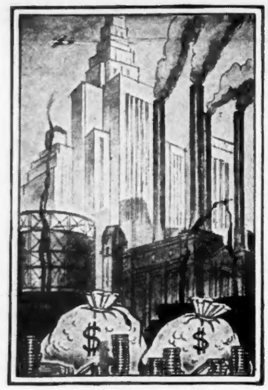
For Profit and Income



Velocity of Money

What the inflationists can not get through their heads is that within any reasonable limits the quantity of money in existence has nothing to do with the activity of business. Since 90 per cent of all business transactions in this country rest upon check payments, bank deposits constitute the important money. Now deposits have risen substantially over the past year and especially during the last nine months. Does it make any difference how large they are? The answer is in the negative. The important thing is their turnover, the activity of their use—in short, their velocity. This is an excellent business index and, unfortunately, the latest figures are far from encouraging. Since the New Deal came into power the deposit turnover index of the New York Federal Reserve Bank, covering New York City, has fluctuated between a high of 75 and a low of 48. For the interior the range has been between 90 and 68. Both for New York City and the interior the index of velocity established its high in July, 1933. For New York City the 1934 high was 63 last April. By August, the latest figure available, it had dropped to 48. This is the lowest since December, 1932. For the interior the 1934 high was 73 in June. By August this index had fallen to 68, which is the lowest since November, 1932. Perhaps we are "on our way", as the chief New Dealer has said—but here is one very significant index which shows we are not making much progress.

* * *

An Exceptional Holding Company

The depression was hard on holding companies, whether of the industrial or public utility variety. It was found generally that their common stockholders and even their bondholders had an exceedingly small equity in the business and that this equity was promptly wiped-out under adverse conditions. There were, however, certain holding companies that proved firmly built. The American Gas & Electric Co. certainly can be included among these. It has paid dividends throughout the whole difficult period since 1929. It was never in financial difficulties like so many of its contemporaries. The report for the year ended August 31, last, showed earnings of $1.69 a common share—ample margin for the present $1-dividend. For the previous twelve months the company earned $1.86 a share so that, in view of the great increase in general operating expenses and the larger provision for depreciation in the later period, the most recent report really appears to be an exceptionally good showing.

* * *

Pioneering Profits

The vast profits sometimes made by pioneering enterprises have an undeniable fascination for the human mind. Recently, for example, there came the widely publicized revelation that $1,000 invested not many years ago in the manufacture of a certain airplane motor had yielded a profit of around $1,000,000. This was brought out by another of the political investigating committees with which we have been afflicted during the past year or so. This, like the earlier air mail "revelations", is merely another reflection of a peculiar aberration of the political mind in these days of the New Deal—the aberration showing itself in a suspicion that any large profit must, per se, be a dishonest profit. What the politicos forget is that most large profits in pioneering and untried fields originated out of a decidedly long-shot investment, and that for every winner there have been scores, if not hundreds, of losers. Who can remember even the names of the scores of automobile companies that litter the road over which the motor industry has travelled in the past twenty-five years? From the point of view of the investor, the assumption of a risk in a new industry is not much safer than buying a ticket in a lottery. Moreover, as the country grows further into economic maturity, the long-odds opportunities tend to diminish. As new fields open up today large existing corporations shift to them or overlap into them. The manufacturers who lead today in mechanical refrigeration and air conditioning, for example, have merely added these activities to a broad diversity of activities already solidly established.

* * *

Republic Steel

At the end of this month, stockholders of Republic Steel Corp. are to meet and vote upon a proposal to merge their company with Corrigan, McKinney Steel and Truscon Steel. Should this go through, it is thought that the consolidated organization may then absorb Otis Steel and Gulf States Steel. Republic Steel already is the third largest company in the field and its output falls into "consumer" rather than "heavy" channels. It is the largest of all makers of alloy steels, a division whose future is one of the bright spots in the industry. Already a well-rounded organization with immense coal and ore reserves, the merger that is proposed should put Republic in a still better position. Its position as the third largest company will be consolidated and it is expected to operate under materially reduced costs.

The proposed consolidation involves considerable revamping of capitalization and many holders of the present Republic Steel $6 preferred stock are undecided whether to co-operate. They are asked to exchange their holdings on the basis of one share of old preferred for half-a-share of new 6% cumulative, convertible, prior preference stock

(Please turn to page 679)

Taking the Pulse of Business

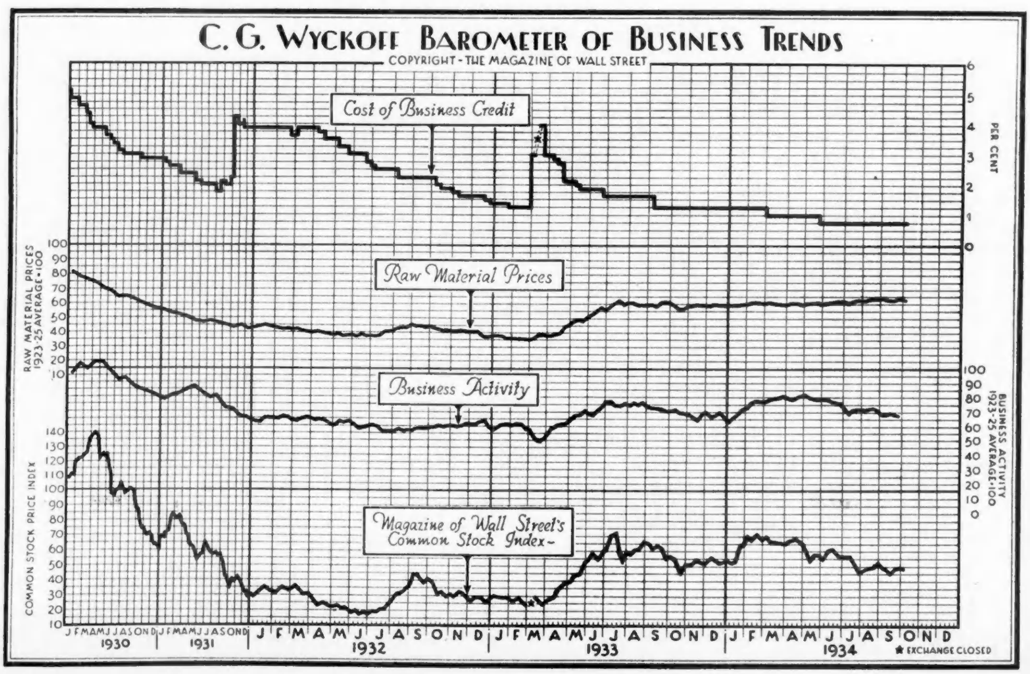
—Steel Operations Higher
—Metal Prices Lower
—Petroleum Troubles Mount
—Railroad Net Declines
—Courts Help Utilities

WHILE most of the industries which enter into our business indexes have recovered much of the ground lost during the weeks preceding and including Labor Day, the improvement in most cases has been somewhat less than seasonal; so that our seasonally adjusted index of Business Activity has receded to a new low on the present reaction. A considerable portion of this decline is attributable to unseasonably warm weather which has delayed the normal autumn pick-up in car loadings, coal and electric power production. Reduced operations at textile centers in consequence of the recent strike have also caused some falling off in the volume of bank debits since our last issue. Automobile production is being curtailed at about the normal pace for this time of the year, though the drop is somewhat more pronounced than last year. Steel appears to be about the only leading industry in which the gain is even slightly better than seasonal.

Price movements since our last issue have not been very encouraging. Most of the non-ferrous metals and a number of agricultural staples have been reactionary—partly influenced by the slump in sterling exchange rates and rumblings of instability among the gold bloc currencies, and partly in consequence of the above cited evidence of further slackening in general business activity. The Common Stock Index, after recoiling from the October-July resistance levels, has advanced further on moderate volume. Corporate bonds show a tendency to ignore the Cost of Business Credit and to follow the more or less aimless fluctuations in common stock prices. Government bond prices continue to recede by small fractions despite the fair degree of success attending the Treasury's refunding operations.

Much of the reactionary tendency at the present time in business activity and in prices may be laid at the door of partisan campaign propaganda and speeches which have had the unfortunate effect of arousing apprehension in business circles and so led to postponement of new commitments. Naturally the hesitation occasionad by this atmosphere of uncertainty is reacting most unfavorably upon the heavy goods industries whose prosperity depends upon investment confidence. Thus we learn that construction contracts let in August ran 13% over last year owing solely to Government fostered projects; yet private residential contracts were off 15%.

On the other hand, general purchasing power in the field of consumption goods continues to be fairly well sustained by the Government's extraordinary expenditures. Farm income in August, for example, gained 40% over last August, with corresponding improvement in mail order sales. During the first half of September, the dollar volume of chain store sales throughout the country, and of department store business in the New York Metropolitan area, showed an increase of 7% over last year at that time. Our excess exports of 52 millions in August were the largest of any corresponding month since 1930.



The fact that sales of consumers' goods continue to hold well above last year is accounted for not only by higher farm incomes but also by larger employment and payrolls. Factory employment in August was 4% ahead of last year, with payrolls up nearly 10%. Non-factory employment showed a gain of 4.7% and payrolls expanded by 6%, compared with August, 1933. According to THE MAGAZINE OF WALL STREET's indexes, however, the gains in both payrolls and employment over a year ago are commencing to narrow. On a yearly comparison basis, business employment in August was only 1.3 million ahead of last year, while annual payrolls showed a gain of barely two billions.

The Trend of Major Industry

STEEL—Anticipatory orders from various sources have made possible a further slight increase in steel operations since our last issue, and at present writing plants are operating at an average of over 23% of capacity. Automobile producers are ordering a little more freely, specifications against Government-fostered construction projects are straggling in, and demand for tin plate is fairly well sustained for this time of year. There is a little buying of steel on the part of jobbers and consumers in the belief that inflation is not yet dead, but only sleeping. Unless the threat of inflation, however, becomes more tangible and imminent, there is not likely to be any substantial rise in mill activity until next year; so that the outlook for fourth quarter profits remains none too rosy.

METALS—Slack demand from the heavy industries and a sharp drop in sterling exchange during the past few weeks have conspired to depress prices for such of the non-ferrous metals as still boast of a free market. Silver, under resumed Government purchases, has advanced above 50 cents to a new high on its recovery. Financial circles in China have become almost panic-stricken over the damage to internal business in the far East which is likely to result from further appreciation in their currency, and have entered a protest with our Government. Rumor has it that China threatens to abandon silver in favor of gold; but it is not explained how she would overcome the almost insuperable difficulty of substituting gold for silver in her circulating currency. Blue Eagle copper remains pegged at the nominal price of 9 cents in face of the prevailing export price of 6.85 cents; but consumers are securing the red metal here for around 6.25 cents plus a month's carrying charges by purchasing the nearest contract in the futures market.

PETROLEUM—Attempts to purchase and segregate the estimated supply of 1.5 million barrels of "hot oil" have been abandoned after discovering that such action has caused two barrels to flow where there was only one before. In consequence, the gasoline market has approached near to demoralization, and it is now only a question of when crude prices will have to be cut. During the past fortnight crude output has averaged about 83,000 barrels daily above the Federal allowable of 2,342,000 barrels, and efforts to control the flood are still defied through court aid and connivance of local politicians. For the time being at least, the prospects for bringing order out of anarchy are not exactly bright.

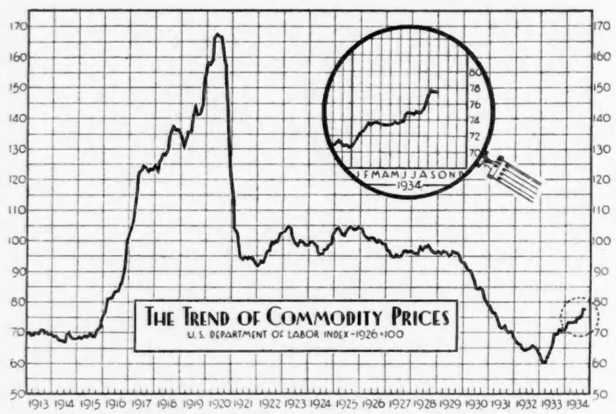
RAILROADS—Striking evidence of the rise in railroad operating expenses is to be found in the combined reports of 69 roads which disclose a drop of 34.7% in net railway operating income from the preceding August; although gross income was off only 1.8%. For the first eight months, gross increased 8.8%, and net gained 9.4%. While the increase in freight rates which is now being argued before the I. C. C. may relieve the situation temporarily, it is believed that something must and will be done to curb truck competition. The alternatives seem to be Government operation, or else a substantial rise in tonnage through a return of general prosperity.

UTILITIES—The Administration has indicated its willingness to help finance municipally-operated public utility plants only in situations where this seems called for as a means of forcing rates down to a "reasonable" level (whatever that may mean). In several instances recently, however, the courts have raised legal obstacles against projected Government competition of such character.

TOBACCO—Cigarette withdrawals in August were about 6% heavier than in August, 1933; but apparent consumption of small cigars fell 25%, while manufactured tobaccos were off 4% to 5%.

Conclusion

The past fortnight has witnessed some further recession in business activity and in prices for Government securities and staple commodities. Taken in conjunction with the sharp decline in sterling exchange rates and the consequent strain imposed upon gold bloc currencies, it must be conceded that such a continuation of deflationary trends at a season of the year when recovery would be in order is not altogether re-assuring. It suggests that the goal of currency stabilization is far from attainable, and that this country may be driven into further devaluation if not actual printing of fiat money. If private business cannot, or will not, stand on its own feet, then the Government will be compelled to intervene. On the hopeful side there are indications that President Roosevelt realizes the dangers of our position and that he is turning to more orthodox conceptions of the recovery problem.

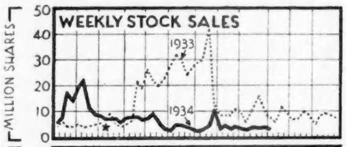


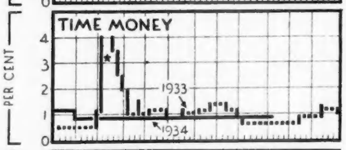
Changes in Major Commodity Price Group for the Fortnight Ended September 29, 1934

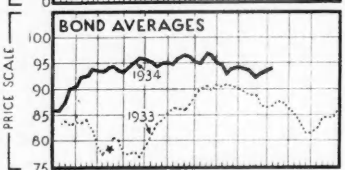
Farm Products	down	0.9	Metals	down	0.2
Foods	down	0.2	Building materials	down	0.6
Hides and leather	up	0.1	Chemicals	up	0.5
Textiles	up	0.1	Housefurnishings	up	0.1
Fuel and lighting	no change		Miscellaneous	down	0.4

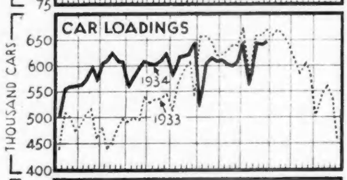
The Magazine of Wall Street's Indicators

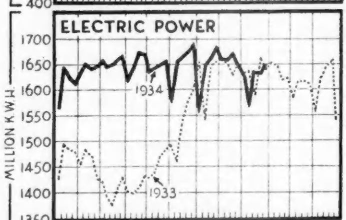
Business Indexes

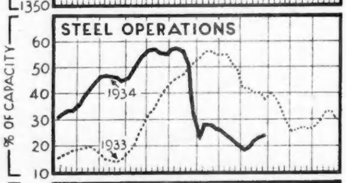


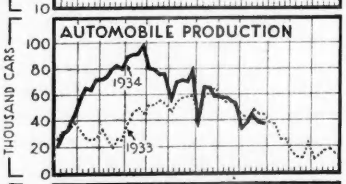


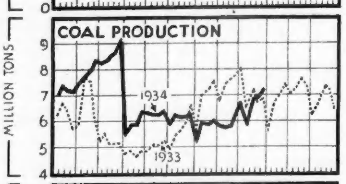


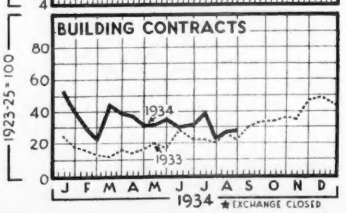








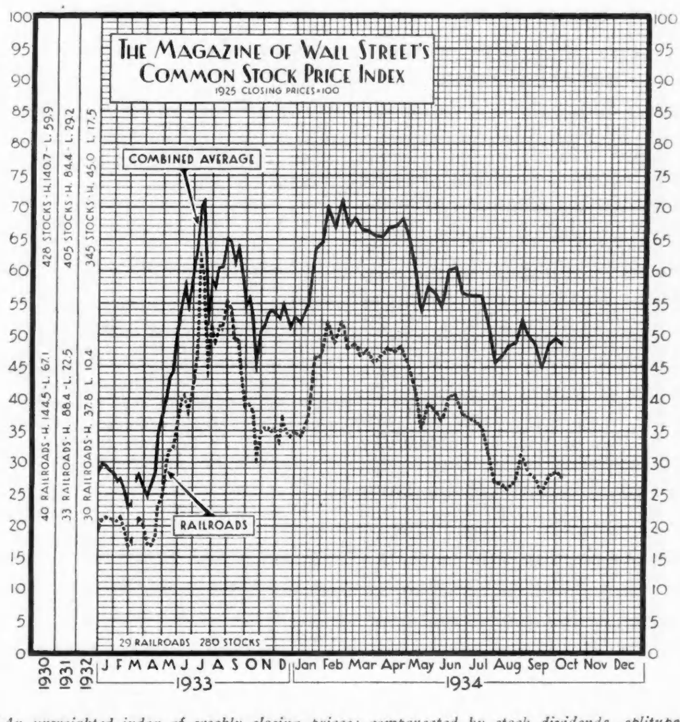




Common Stock Price Index

1933 Indexes High	1933 Indexes Low	1933 Indexes Close	Number of Issues	COMBINED AVERAGE (1925 Close—100)	1934 Indexes High	1934 Indexes Low	Sept. 22	Sept. 29	Oct. 6
71.3	22.7	52.9	312		71.2	45.0	48.5	49.5	48.7
116.0	26.8	68.6	5	Agricultural Implements	105.7	44.2	50.5	53.8	55.1
37.8	7.3	27.1	5	Amusements	42.3	20.2	24.7	26.0	25.3
50.9	12.4	41.3	14	Automobile Accessories	58.9	35.2	39.4	39.9	40.5
22.7	7.3	18.0	13	Automobiles	24.9	11.8	12.5	12.5	12.4
102.9	41.8	61.6	5	Aviation (1927 Cl.—100)	92.5	43.6	46.1	45.8	47.1
26.5	5.1	12.2	4	Baking (1926 Cl.—100)	17.4	8.7	9.5	9.2	9.5
157.5	79.9	145.6	2	Biscuit	150.0	109.6	112.1	111.0	109.6x
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.—100)	240.9	153.6	162.5	162.7	164.5
128.8	39.8	107.6	5	Business Machines	136.0	100.0	105.9	106.3	105.8
191.1	92.9	189.1	2	Cans	204.3	178.9	197.1	200.3	203.9
238.2	71.5	193.6	8	Chemicals	210.5	134.3	143.3	146.2	147.6
34.8	11.3	28.0	16	Construction	37.2	22.1	24.6	24.9	24.8
81.0	20.3	54.9	6	Copper	70.1	41.8	45.5	44.8	41.8x
47.7	23.0	25.7	2	Dairy Products	37.0	25.7	32.7	32.8	32.2
27.3	6.6	19.6	8	Department Stores	26.8	16.4	18.4	19.4	19.7
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.2	56.0	60.3	62.4	61.5
104.0	35.6	75.4	4	Electric Apparatus	91.3	59.1	61.7	63.5	63.2
104.6	33.2	103.8	2	Finance Companies	178.3	103.8	154.6	155.3	157.2
75.2	32.6	52.0	5	Food Brands	64.0	51.1	58.2	59.1	56.5
77.5	40.5	58.6	4	Food Stores	71.1	53.7	57.4	58.5	57.2
1365.0	481.2	1180.8	3	Gold Mining	1372.0	1115.0	1274.0	1263.5	1273.5
30.3	10.5	26.0	5	Household Equipment	35.1	25.1	27.7	28.1	28.6
38.0	14.5	23.1	6	Investment Trusts	31.8	19.3	20.6	20.9	20.9
360.0	85.0	244.6	2	Liquor (1932 Cl.—100)	295.5	164.0	186.5	190.9	198.6
47.4	13.5	39.4	2	Mail Order	53.4	34.2	40.3	42.2	43.0
120.3	21.9	57.2	3	Meat Packing	88.6	51.9	67.7	66.5	63.9
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	118.3	128 0	125.2	1?4.0
83.4	29.3	66.0	25	Petroleum	86.8	52.8	56.7	56.1	53.0
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	25.0	15.2	17.4	18.5	18.1
104.0	40.8	49.0	20	Public Utilities	72.8	37.8	41.9	43.3	42.3
69.4	17.7	53.4	8	Railroad Equipment	66.2	34.3	38.1	39.5	38.4
63.0	16.3	34.5	30	Railroads	52.0	25.2	27.6	28.4	27.8
44.3	6.2	30.0	3	Shipbuilding	50.2	28.9	31.6	33.5	33.1
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.-100)	150.3	114.0	123.0	123.0	124.7
69.1	19.1	51.8	11	Steel & Iron	77.0	42.0	44.7	45.9	46.7
29.5	7.3	21.3	5	Sugar	31.3	20.5	26.5	26.2	26.3
216.5	79.3	200.8	2	Sulphur	214.0	141.7	143.5	143.7	151.7
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	44.0	46.9	48.0	46.7
82.2	22.5	49.1	8	Textiles	65.8	37.5	40.0	43.0	43.3
15.1	3.0	11.0	5	Tires & Rubber	14.6	7.6	8.3	8.4	8.2
90.2	46.2	69.4	4	Tobacco	79.4	66.5	76.5	78.5	78.5
57.2	22.3	57.2	3	Traction	73.0	43.3	71.4	69.7	70.4
52.9	23.3	43.6	3	Variety Stores	161.5	43.6	143.0	147.2	161.5H

H—New HIGH record since 1931. x—New LOW this year.



(An unweighted index of weekly closing prices; compensated by stock dividends, splitups, and rights, and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

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UNITED BISCUIT CO. OF AMERICA

With earnings seemingly holding up and much better than many companies in their line why doesn't the stock of United Biscuit Co. do better? Is the outlook so impaired by the high cost of labor and raw materials that they may not be able to keep up earnings? I would appreciate your opinion as to their prospects and whether I should continue holding. Isn't it possible for them to raise their prices to offset increased costs?—B. E. P., St. Louis, Mo.

Although ranking as No. 3 in its field, United Biscuit Co. of America achieved the distinction of giving a better account of itself than its two leading competitors during the first six months of the current year, it having registered a gain in profits for the period, whereas the latter enterprises were confronted with a contraction of profits. For the six months ended June 30, last, United Biscuit reported profits of $491,277, equal to 98 cents a share on the common stock. This compared with net of $417,247 or 82 cents a share for the corresponding interval of 1933. Thus it is apparent that it has met with a fair degree of success in adjusting its operations to increased labor and raw material costs, as well as successfully meeting increasingly keen competition in the future. In the past, earnings have corresponded fairly closely with general business conditions; profits declined from $4.39 a share in 1929 to $1.79 a share in 1932 and recovered to $2.03 last year. As improved business conditions evidence themselves during the remaining weeks of the current year demand for the company's more profitable products should be stimulated with a consequent moderate improvement in earnings. It is therefore believed that results for the final half of the year will equal, if not better, those of the final six months of 1933, thereby enabling the company to report full 1934 earnings slightly above those of last year. Thus, the current dividend of $1.60 a share is assured. Moreover, the current fiscal position of the company is satisfactory, which factor suggests the possibility of more liberal dividend policies in the not too distant future, should business conditions warrant. At prevailing quotations the common stock yields a return of approximately 7%, and as such merits favorable consideration for inclusion in a portfolio for income purposes.

NEW JERSEY ZINC CO.

I have a fairly satisfactory profit on 100 shares of New Jersey Zinc which I purchased some time ago. I have been considering selling; but am wondering whether this company is not likely to benefit if the Government housing repair plan takes hold and creates a big increase in the demand for paint. In this case would you advise me to hold for higher prices?—A. J. G., Brooklyn, N. Y.

New Jersey Zinc Co. reported for the three months ended June 30, last, net income of $994,304, equal to 51 cents a share on its capital stock. This compared with net of $1,092,207 or 55 cents a share in the preceding quarter, and $933,002 or 48 cents a share in the June quarter of 1933. Results for the first six months of the current year were equally gratifying, in that profits of $2,086,511 or $1.06 a share were more than 50% above those of $1,370,380 or 70 cents a share recorded in the first half of last year. Moreover, results for the final half of the current year should reflect the advance in prices for zinc oxide, the most important item in the company's line of products. Since the Federal Government's rehabilitation program has been slow in getting started, it is not expected that benefits accruing to the company by virtue thereof will figure importantly in current year earnings. Nevertheless, the success of that venture should be reflected in next year's business, although the extent of the benefit is a matter of conjecture at this time. Nevertheless, as a dominating influence in the production of zinc products throughout the world, earnings of New Jersey Zinc Co. should better with general business improvement, a factor that doubtless will be reflected in the future price trend of its shares. Consequently, we see little to be gained by liquidating your holdings at current prices, and endorse maintenance of your present position with a view toward higher prices.

GREAT NORTHERN RAILWAY CO.

Why is Great Northern preferred selling so close to its low for the year? I have carried this stock for some time and am

(Please turn to page 675)

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

New York Stock Exchange

Rails

	1932		1933		1934		Low Since	Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/1/33	10/3/34	Share
A									
Atchison	94	17⅞	80⅛	34⅝	73¾	45¼	44½	50	†2
Atlantic Coast Line	44	9¾	59	16½	54¼	24½	24½	29⅜	..
B									
Baltimore & Ohio	21⅜	3¾	37⅞	8¼	34½	13¼	13¼	15¼	..
Bangor & Aroostook	35¾	9½	41¾	20	46⅛	35½	29¼	41	2½
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	44⅞	28¼	25¾	39½	†75
C									
Canadian Pacific	20⅝	7¼	20⅞	7½	18¼	11⅞	11⅜	13⅜	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	48⅝	39½	37⅛	42¾	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	2½	2½	3	..
Chicago & Northwestern	14½	2	16	1¼	15	4½	4½	6	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2	2	2¼	..
D									
Delaware & Hudson	92½	32	93¾	37⅝	73½	35	35	37½	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	14	14	17	..
E									
Erie R. R.	11¾	2	25¾	3¾	24⅞	9⅜	9⅜	11¾	..
G									
Great Northern Pfd.	25	5½	33¾	4⅝	32½	12¼	12¼	14⅞	..
I									
Illinois Central	24⅞	4¾	50¾	8½	38⅞	13⅝	13⅝	16¼	..
Interborough Rapid Trans.	14⅝	2¼	13¾	4⅛	15⅞	5½	5½	14¾	..
K									
Kansas City Southern	15¼	2¼	24⅞	6½	19¾	6⅝	6⅝	8¼	..
L									
Lehigh Valley	29¼	5	27¾	8⅝	21¼	9½	9½	10⅝	..
Louisville & Nashville	38¼	7½	67½	21¼	62½	37¾	34½	42½	†3
M									
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	4⅜	4⅜	6¼	..
Missouri Pacific	11	1½	10¼	1⅛	6	2	2	2½	..
N									
New York Central	36⅝	8¾	58½	14	45¼	18⅜	18⅜	21⅝	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	9	9	10	..
Northern Pacific	25⅜	5½	34⅞	9⅝	36¼	14½	14½	18⅝	..
P									
Pennsylvania	23⅜	6½	42¼	13¾	39⅛	20⅛	20⅛	23	†1
R									
Reading	52¼	9½	62½	23½	56⅜	35⅛	35⅛	39	2
S									
St. Louis-San Fran	6⅝	⅝	9	⅞	4⅝	1½	1½	1¾	..
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	14⅞	14⅞	17⅝	..
Southern Railway	18½	2½	36	4⅛	36½	11½	11½	16	..
U									
Union Pacific	94½	27⅝	132	61¼	133⅞	90	90	99	6
W									
Western Maryland	11⅜	1½	16	4	17¼	7⅛	6⅝	8¾	..

Industrials and Miscellaneous

	1932		1933		1934		Low Since	Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/1/33	10/3/34	Share
A									
Adams Express	9½	1⅝	13¼	3	11⅞	6	6	7	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	91¾	80⅛	101¾	*4½
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	16⅝	16⅝	19⅝	*1.20
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	1½	1½	1¾	..
Allied Chemical & Dye	88¼	42½	152	70¾	160¾	115⅛	107½	125¾	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	10⅜	10⅜	12½	..
Amer. Brake Shoe & Fdy.	17⅞	6½	42½	9⅛	38	19½	19½	20½	.80
American Can	73⅞	29⅝	100½	49½	107¾	90¼	80	98¾	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	12	12	15⅝	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	20¾	20¾	27	..
American & Foreign Power	15	2	19⅝	3⅞	14¾	4½	4½	6⅛	..
Amer. Mach. & Fdy	22¼	7½	22⅜	8¾	19¾	12⅜	12	15⅜	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	3¾	3¾	4⅝	..
Amer. Radiator & S. S.	12¼	3⅛	19	4⅝	17⅝	10	10	12⅞	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	13½	12⅜	16⅝	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	30¼	28½	34⅛	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	10⅛	10⅛	12½	..
Amer. Sugar Refining	39¼	13	74	21½	72	46	45½	63	2
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	105¾	105⅝	109¾	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	63½	75	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	64⅞	77	5
Amer. Water Works & Elec.	34½	11	43¼	10⅞	27⅝	14¼	14¼	16¼	1
Amer. Woolen	10	1⅝	17	3½	17⅛	7	7	9	..
do Pfd	39⅞	15½	67½	22⅝	83¾	36	36	39⅛	†2½
Anaconda Copper Mining	19⅜	3	22⅞	5	17¾	10	10	10⅞	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	21½	21⅛	23¾	..
Auburn Auto	151¾	28¾	84¼	31	57⅜	16½	16½	24½	..
Aviation Corp. Del	8⅞	1½	16⅜	5½	10¾	3¾	3¾	3⅞	..
B									
Baldwin Loco. Works	12	2	17⅝	3½	16	6½	6½	7½	..
Barnsdall Corp	7	3⅜	11	3	10	6	6	6⅜	..
Beatrice Creamery	43½	10½	27	7	19¾	10¼	8⅜	18¼	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Low Since	Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	7/1/33	10/3/34	Share
Bendix Aviation	18¾	4½	21¼	6⅛	23⅞	9¾	9¾	12	..
Best & Co	24⅞	5¾	33⅛	9	34¼	26	21	32¼	1½
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	25¼	23	26¾	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	44½	33¾	52½	3
Borden Company	43⅛	20	37⅜	18	28¼	19⅞	18	24⅝	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	16⅛	11¾	21½	1
Briggs Mfg.	11¾	2⅞	14⅝	2⅝	19⅜	12	6¼	17	1
Burroughs Adding Mach	13¼	6¼	20⅞	6⅛	19⅜	10½	10½	12¼	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	13¾	13¾	16	..
C									
Canada Dry Ginger Ale	15	6	41¼	7½	29½	12½	12½	14½	1
Case, J. I.	65¾	16¾	103½	30½	86¾	35	35	42½	..
Caterpillar Tractor	15	4⅜	29¾	5½	33⅜	23	15	26½	1
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	17⅛	17⅛	23¾	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	43½	30¼	23¾	36⅝	†1
Chespeake Corp	20¾	4⅞	52½	14⅞	48⅞	34	29½	38¼	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	29¼	26¼	32⅞	*1¼
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	18⅛	9⅜	9	14½	.50
Columbian Carbon	41⅞	13½	71¼	23⅛	77¼	58	45	67	3.40
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	6⅞	6⅞	8¾	..
Commercial Credit	11	3⅞	19¼	4	35⅛	18⅝	11¼	26⅞	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	61	35¾	37¾	46	2
Commercial Solvents	13¾	3½	57¼	9	36¾	15¾	15¾	19¼	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1½	1¼	1½	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	22	16½	28½	1.60
Consolidated Gas of N. Y	68¾	31½	64⅛	34	47⅜	25	25	27⅞	2
Consol. Oil	9	4	15¾	5	14¼	7¼	7¼	8	.42
Cont'l Baking Cl. A	8	2⅞	18¼	3	14⅝	5¼	5¼	6½	..
Continental Can, Inc	41	17⅝	78⅜	35¼	83¼	69½	55½	84⅜	..
Continental Insurance	25¼	6¾	36½	10½	35½	23⅜	20	28¼	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	22¾	15¾	12¼	17⅛	†.50
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	55½	55½	63½	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	18¾	18¾	21½	1
Cudahy Packing	35½	20	59½	20¾	52⅝	37	35⅛	47½	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5½	2½	2	2½	..
D									
Diamond Match	19⅛	12	29½	17½	28½	21	21	22½	1
Dome Mine	12⅞	7½	39½	12	46¼	32	25	41⅝	*3½
Dominion Stores	18½	11¼	26⅜	10½	23	14½	14½	15¼	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	11⅛	15⅛	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	80	60	88½	*3.10
E									
Eastman Kodak Co	87⅞	35¼	89¾	46	101⅝	79	65½	99¼	4
Electric Auto Lite	32¾	8½	27½	10	31⅜	15	11⅝	22⅝	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	3½	3½	4⅛	..
Endicott-Johnson Corp	37¼	16	62⅞	26	63	45	45	49⅜	3
F									
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	13½	13½	14	.40
First National Stores	54½	35	70¾	43	69¼	54¼	47½	63½	2½
Fox Film, Cl. A	5⅞	1	19	12	17½	8¼	2¾	11⅝	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	21½	21½	24⅛	2
G									
General Amer. Transpt	35¾	9½	43¼	13¾	45⅝	30	25¾	33½	1
General Asphalt	15½	4¾	27	4⅝	23½	12	12	14¾	..
General Baking	19⅝	10½	20⅞	10½	14⅜	7⅜	7⅜	8¼	†.50
General Electric	26⅛	8½	30¼	10½	25¼	16⅞	16⅛	18	.60
General Foods	40½	19⅝	39⅞	21	36⅞	28	28	30	1.80
General Mills	48½	28	71	35½	64½	52	51	55¼	3
General Motors Corp	24⅝	7⅝	35¾	10	42	24⅝	22½	28½	*1½
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	23½	23½	24½	1
General Refractories	15⅜	1¾	19¾	2½	19½	10	8½	12⅜	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	13¼	8½	7⅝	11⅛	1
Glidden Co	10⅜	3⅛	20	3¾	28⅜	15⅝	12	23	*1.15
Gold Dust Corp	20⅝	8¼	27⅜	12	23	16¾	16	17¼	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	8	8	9⅝	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	18½	18½	20¾	..
Great Western Sugar	12	3¼	41⅞	7	35¼	25	25	29	2.40
H									
Hershey Chocolate	83	43½	72	35⅛	68	48½	44	63	3
Houston Oil of Tex. (New)	5⅜	1⅝	7⅜	1⅞	5⅝	2½	2½	3	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	6⅛	6⅛	8½	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	1⅞	1⅞	2½	..
I									
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	50	45	55	2
Inter. Business Machines	117	52½	153¼	75¾	149¼	131	125¾	139½	6
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	23¼	23¼	29¾	.60
Inter. Nickel	12½	3½	23¼	6¾	29¼	21	14¾	24⅞	†.35
International Shoe	44⅜	20¼	56⅜	24⅜	50⅜	38	38	41	2
Inter. Tel. & Tel	15¾	2⅝	21¾	5⅛	17¾	7½	7½	9⅝	..
J									
Johns-Manville	33⅜	10	63½	12¼	66⅜	39	36½	45¼	..
K									
Kelvinator	10⅜	2¾	15⅝	3⅛	21¼	11⅝	7	12¾	..
Kennecott Copper	19¼	4⅞	26	7⅜	23⅛	16	15⅝	18	†.30
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	10¼	17½	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	33⅝	23¼	19	27¾	1.60
L									
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	19⅜	24¼	3
Lehman Corp	51⅞	30½	79⅜	37½	78	64¼	58¾	68⅞	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	25¼	21	27½	1.20
Liggett & Myers Tob. B	67¼	34⅛	99⅜	49¼	99	74½	71½	98½	*5
Liquid Carbonic	22	9	50	10¼	35⅜	16⅛	16⅛	20	*1¼
Loew's, Inc	37¾	13¼	36½	8½	35⅛	20⅜	19½	27⅞	1
Loose Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	36¼	35	38¼	2
Lorillard	18⅜	9	25¼	10⅜	19½	15¾	14¾	17⅞	1.20
M									
Mack Truck, Inc	28¾	10	46⅜	13½	41¾	22	22	25	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	35¼	35¼	40	2
Marine Midland	14⅜	6½	11½	5	9	5½	5	5¾	.40

Dividends & Interest

BRIGGS MANUFACTURING COMPANY

Dividend on Common Stock

A regular dividend of twenty-five cents ($.25) per share, and an extra dividend of twenty-five cents ($.25) per share, on the company's outstanding capital stock, have been declared, payable October 30, 1934, to stockholders of record at the close of business October 16, 1934.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

September 25, 1934.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 55 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable November 1, 1934, to common stockholders of record at the close of business October 11, 1934.

W. C. KING, Secretary.

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Low Since 7/1/33	Last Sale 10/3/34	Div'd $ Per Share
	High	Low	High	Low	High	Low			
Mathieson Alkali	20⅞	9	46⅝	14	40¾	23½	23½	26¼	1½
May Dept. Stores	20	9½	33	9¾	44⅜	30	23	38	..
McIntyre, Porc M	21⅝	13	48⅜	18	50½	38½	28⅝	45⅞	2
McKeesport Tin Plate	62¼	28	95¾	44⅛	94¼	79	67¼	87¼	4
Mont. Ward & Co	16½	3½	28⅞	8⅝	35⅝	20	15¼	26½	..
N									
Nash Motor Co	19¾	8	27	11⅛	32¼	12⅝	15⅝	13½	1
National Biscuit	46⅞	20¼	60⅝	31½	49½	25⅞	27¾	27⅞	2
Nat'l Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	12	12	13¼	.50
National Dairy Prod	31⅜	14⅜	25¾	10½	18¾	13	11¼	16⅛	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	16	16	19⅜	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	6⅞	6⅞	8	.80
National Steel	33⅞	13½	55⅛	15	58¼	34½	33	35½	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	2⅝	2⅝	3¼	..
North American Co	43¼	13¾	36½	12½	25¼	11¾	11¾	13	.50
O									
Ohio Oil	11	5	17⅝	4¾	15⅞	8½	8½	9⅞	†.30
Otis Elevator	22½	9	25¼	10⅛	19⅜	13⅜	11¾	14	.60
Otis Steel	9¼	1¼	9¼	½	8	3⅝	3	4½	..
P									
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	13⅞	13⅞	13⅞	1½
Pacific Lighting	47½	20¾	43⅜	22	37	20¾	20¾	23¼	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	2¾	2¾	3⅝	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	1⅛	4½	..
Penney (J. C.)	34½	13	56	19¼	67⅞	51½	35½	61	*2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	22	22	25¾	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18⅞	13¼	11¾	14⅜	†.50
Phillips Petroleum	8⅛	2	18¾	4¾	20¾	14½	11	14¾	1
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	33⅛	33⅛	37⅞	1½
Public Service of N. J.	60	28	57⅛	32⅝	45	29½	29½	31⅞	2.80
Pullman, Inc.	28	10½	58½	18	59⅜	35⅜	35⅜	37	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	7	7	7	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	9⅛	9⅛	9⅜	1
R									
Radio Corp. of America	13½	2½	12¼	3	9⅛	4½	4½	5½	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	1½	1½	2⅜	..
Remington-Rand	7½	1	11¼	2½	13⅜	6	5¼	7¾	..
Republic Steel	13⅞	1⅞	23	4	25¾	10½	9	12⅜	..
Reynolds (R. J.) Tob. Cl. B.	40¼	26½	54¼	26½	48¾	39¾	39¾	48	3
Royal Dutch	23¾	12⅛	39¾	17⅝	39⅛	32¼	29⅞	33⅝	†1.35
S									
Safeway Stores	59¼	30⅛	62⅜	28	57	42⅝	35¾	42⅝	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	31	30	38½	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	38⅜	21½	19	22½	*90
Servel, Inc.	5⅜	1½	7½	1½	9	4⅜	3½	5½	..
Shattuck (F. G.)	12¾	5	13¼	5¾	13⅞	6¾	6	7½	.24
Shell Union Oil	8¾	2½	11⅝	4	11½	6⅜	6⅜	6⅜	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	8⅛	8½	9½	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	12½	9½	14¼	.60
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	10⅛	10⅛	11½	1½
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	17¼	17¼	19⅛	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5½	17	6¼	6	7⅜	..
Standard Oil of Calif	31⅞	15⅛	45	19½	42⅞	27⅝	30⅝	27⅞	1
Standard Oil of N. J.	37⅜	19⅞	47½	22¾	50⅛	40⅝	33⅛	42⅜	1
Sterling Products	....	....	63	45¾	66½	47½	45¾	58⅜	3.80
Stewart-Warner	8½	1⅞	11½	2½	10⅝	4½	4½	6	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	4⅞	4⅞	6	..
Studebaker Corp	13¾	2½	8⅜	1½	9¼	2¼	3¼	2⅞	..
T									
Texas Corp	18¼	9¼	30⅛	10¾	29⅜	20	18¼	21⅞	1
Texas Gulf Sulphur	26¾	12	45¼	15¼	43¼	30	22¾	36⅞	2
Tide Water Assoc. Oil	5⅝	2	11¾	3⅛	14⅜	8½	7¾	8⅝	..
Timken Roller Bearing	23	7¾	35½	13¾	41	24	21	29½	1
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8½	5⅛	4¾	5⅜	†.25
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	3⅛	3⅛	4	..
U									
Underwood-Elliott-Fisher	24⅜	7⅜	39½	9¼	51½	36	22½	46	2
Union Carbide & Carbon	36⅜	15½	51⅞	19¾	50⅞	35⅞	34½	43	1.40
Union Oil of Cal	15⅜	8	23⅜	8½	20½	13¼	13¾	13¼	1
United Aircraft & Trans	34⅜	6½	46⅞	16½	11¼	8⅛	8⅛	9	..
United Carbon	18	6⅝	38	10¼	46½	35	20¼	41¼	2.40
United Corp	14	3½	14½	4	8⅞	3¼	3¼	3⅞	..
United Corp. Pfd	39⅜	20	40⅞	22⅛	37⅞	24¼	22⅛	27	3
United Fruit	32⅜	10¼	68	23¼	77	59	49½	74¾	3
United Gas Imp	22	9¼	25	13⅞	20⅛	13¾	13¾	14⅝	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13½	64¾	32	32	35	..
U. S. Pipe & Fdy	18⅛	7¼	22⅛	6⅛	33	15½	12	18	.50
U. S. Realty	11¾	2	14½	2½	12¾	4	4	4⅞	..
U. S. Rubber	10¼	1¼	25	2⅞	24	11	10¾	15½	..
U. S. Smelt., Ref. & Mining.	22¾	10	105⅝	13½	141	96⅝	53¼	114½	†9
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	29⅜	29⅜	32½	..
U. S. Steel Pfd	113	51½	105½	53	99½	67¼	67¼	73½	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	2	2	2	..
V									
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	14	14	16	..
W									
Warner Bros. Pictures	4½	½	9⅛	1	8¼	2¾	2¾	4⅞	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	29½	29½	32½	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	15⅞	15⅞	19	.50
Westinghouse Elec. & Mfg.	43½	15⅝	58¾	19⅜	47¼	27⅞	27⅞	31	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	25⅛	54⅞	41¼	35	48	2.40
Worthington Pump & Mach.	24	5	39⅞	8	53	31½	13½	31½	..
Wrigley (W. Jr.)	57	25¼	57¼	34½	66½	54½	47¾	66½	*3½

† Paid this year. * nc uding extra.

Answers to Inquiries

(Continued from page 670)

getting discouraged as I thought in the spring its prospects looked so promising. Is the present low price the result of wage increases and the new pension law or is it solely attributable to the drought? Are these any real prospects for near-term advance? Do you advise holding?—M. E. H., Houston, Texas.

Traffic on the Great Northern Railway is fairly well diversified although the road is heavily dependent upon agricultural prosperity for revenues. Its ownership in the "Burlington," an agricultural road, adds to the dependence of the Great Northern on agriculture. Thus, the drought is a factor which partly accounts for the low level at which Great Northern preferred currently is quoted. An offsetting factor to the effects of the drought, however, has been the heavier movement of ore and miscellaneous products. As a result, the Great Northern has shown greater traffic improvement this year than most Class 1 railroads. The financial position of the road remains strong and no floating debt is outstanding. A heavy maturity must be met in 1936, but a return of more normal financing conditions and improvement in operations next year could be expected to permit successful refunding of the bonds. The new pension bill has placed an additional burden on the Great Northern, as it has on all carriers, but the Retirement Act is being strongly contested and it is possible that the measure may be set aside. We feel that Great Northern preferred has longer term speculative possibilities and inasmuch as the road is in a position to share fully in any business recovery, would recommend retention of the issue.

AMERICAN SUGAR REFINING CO.

There have been so many recent developments in the sugar industry that I am somewhat at sea as to what to do with my holdings of American Sugar. Will it benefit sufficiently from the increase in the Cuban price and curtailment of home production of sugar beets to warrant increased earnings and higher dividends? If this is the case I would buy more. But if consumption is likely to continue its decline and if all the favorable aspects have already been discounted then I would prefer to sell. I will appreciate your clearing up these points and definite advice as to what I should do. —E. N. A., Duquesne, Pa.

Occupying a dominant position in the domestic sugar market and holding vast Cuban producing properties, the American Sugar Refining Co. is particularly well situated to benefit from the numerous restrictive measures recently placed upon sugar. The duty on Cuban imports to the United States is now the lowest in many years and, given but a slight further improvement in the price structure, American Sugar should realize substantial profits on its Cuban properties which have been a source of losses for some years past. Being principally a refiner of imported Cuban raws, the company has been hard hit by constantly expanding competition from "off-shore whites." Due to a defect in the tariff which favored Cuban refiners, importations of the refined product from that country rose from less than 3,000,000 pounds in 1925 to roughly 1,000,000,000 pounds last year. With the enactment into law of the Jones-Costigan Bill, definite quotas have been established for sugar importations into the United States as well as for domestic production. These quotas have been set up with a view to halting further expansion of production and improving profits for the entire industry. Admittedly sugars now in warehouses in this country constitute a potential menace, to sustained prices, but the A A A, in co-operation with refiners, may be expected to take steps designed to keep this sugar off the market until such time as the price structure is established on a firmer foundation. Although the consumption of sugar fell off somewhat in July due, in no small measure, to curtailed purchases by consumers in drought stricken areas, more recent information is that the consumption trend has again turned upward. Despite the handicaps under which American Sugar has been operating for the past several years, earning power has been remarkably well sustained. Last year's income was equal to $4.03 a share on the common stock, after preferred dividend requirements, against $3.01 a common share in 1932, the latter representing the lowest earnings since 1929 when the equivalent of $8.40 per share was shown. With the technical position of the industry improved, it is believed that American Sugar is now entering a period of earnings expansion. Considering the concern's excellent financial condition, therefore, a more liberal dividend policy would seem entirely warranted and retention of holdings is advocated.

CONSOLIDATED OIL CORP.

I have 200 shares of Consolidated Oil which I purchased last year around $12. When a dividend of 28 cents was declared I felt very much encouraged but with the recent dividend only 14 cents I am wondering if conditions in the oil industry are still in such a turmoil and possibilities for real earnings so distant as to make it advisable to switch to some other stock at about the same price but with greater nearby prospects. I do not want to make a

mistake, however, and will be guided by your advice.—A. F. H., Springfield, Mass.

The Consolidated Oil Corp. has marketing outlets in the majority of the principal consuming areas of the United States as well as in certain foreign countries. Extensive controlled crude oil acreage is located in Oklahoma, Texas, Kansas and Wyoming. Products including gasoline, kerosene, oil, grease, and petroleum derivatives are sold under such well advertised trade names as "Sinclair" gasoline and "Opaline" lubricating oil. The company operated on a profitable basis in the final half of 1933, but heavy losses suffered in the first six months resulted in but a nominal profit for the full year. The financial position was strong at the close of 1933. When the 28-cent common dividend was declared early in 1924, the management termed the payment a "recovery dividend." The recent 14-cent dividend was declared with the statement that because of unsatisfactory marketing conditions and higher costs, earnings were not sufficient to cover the dividend paid in April. Nevertheless the directors felt justified in paying 14 cents a share out of surplus because of the company's strong cash position. Conditions in the oil industry remain unsettled owing to failure to control production but there are indications that the flow of "hot oil" will be curbed before long. The current quotation for Consolidated Oil appears to discount the unfavorable near term outlook, and we would favor retention as a longer term speculation.

EASTMAN KODAK CO.

A friend of mine strongly urges the purchase of Eastman Kodak because of the tremendous possibilities for growth of its film business, but particularly because of the potentialities for new products. I find, however, that it is selling close to its high for the year and I wonder if most of the favorable near-by prospects have already been discounted. If there is any remote hope that it will go up to pre-depression levels it would sure be a bargain even at today's prices.—R. L. S., Camden, N. J.

Improving economic conditions, both in the United States and abroad, greatly stimulated the demand for Eastman Kodak products and enabled the company to report for 1933 earnings equivalent to $4.78 a share on its common stock, after allowing for preferred dividend requirements, against $2.53 a share in the previous year. The report for the 24 weeks ended June 16, 1934, revealed a net profit of $6,745,676, equivalent to $2.91 a share on the common stock. In the corresponding interval of 1933 earnings were equivalent to $1.84 a share. Not only is the company the recognized leader in the manufacture of photographic supplies throughout the world, but it is also actively engaged in the production of numerous chemicals which hold promise of becoming increasingly important from an earnings standpoint. Operating costs of many organizations have been materially increased under the N R A but this has not been the case with Eastman Kodak since the company has always been noted for liberality in wages. Stockholders have fared equally well, an unbroken dividend record having been maintained since 1902. In 1922 the common stock was split 10-for-1 and from that year to, and including, 1930, earnings fluctuated but slightly having averaged around $9 a share on the common stock. Curtailed purchasing power, coupled with heavy charge-offs during the depression years, led to lower earnings and dividends, but, judging from recent reports, the reattainment of former earnings is not far distant. Of course, this depends upon a further improvement in general business conditions both in the United States and abroad. Financial condition at the last year end was extremely strong with total current assets, including $29,615,659 cash and marketable securities, amounting to $79,884,343, compared with current liabilities of only $10,926,861. With indicated earnings well in excess of the present $4 annual rate on the common stock, and with the outlook for further improvement over early ensuing months, at least, higher dividends are a distinct possibility. While current prices for the stock may seem high on the basis of present earnings, expansion of its regular and newly developed lines should eventually justify quotations approximating those of pre-depression years. All factors considered, therefore, Eastman Kodak common seems to amply justify the esteem in which it is generally held and should prove a profitable addition to your portfolio.

NEW YORK, NEW HAVEN & HARTFORD RAILROAD CO.

If I sell my 100 shares of New Haven R.R. at today's prices I would be taking considerable loss. But if the chances of its appreciating are slim I would prefer to switch now rather than risk a greater loss. What are its prospects? Will the proposed government regulation of busses and trucks help? Do you advise that I sell at this time?—E. K. Z., Butte, Mont.

With its main line extending through the thickly populated area between New York and Boston, the New Haven has been particularly vulnerable to competition from motor trucks and busses. Unlike the majority of Class I carriers, this road normally derives a substantial portion of its revenues from passenger traffic. A decline in income from this source was noted in 1927 and the percentage of passenger revenues to gross revenues has declined steadily since that year. Freight revenues, which amounted to 54.7% of gross in 1929, accounted for approximately 58% of gross last year. Although the volume of freight handled by the road has been necessarily restricted by general depression influences, the fact that coal loadings account for about 30% of freight handled and that this commodity is not economically shipped by truck, has enabled the road to make a better showing during the depression than would otherwise have been possible. Nevertheless, fixed charges have not been earned in any year since 1931 and there seems to be little in the immediate outlook which would indicate any change for the better in this respect. On the other hand, industrial conditions in New England seem to be improving and the settlement of the textile strike should stimulate coal and miscellaneous freight shipments. Moreover, the New Haven will not be seriously affected by the pension law, as will many other roads, since it already has in operation a liberal pension system of its own. Although the financial condition of the road continues unsatisfactory, sufficient aid will likely be extended by the R F C to allow continuance of interest service on funded debt, until well into next year, at least, when earnings may be given a fillip by expanding industrial activity in the New England section. Considering the traffic density of the road, capitalization does not appear excessive and the present large floating debt could easily be funded upon a return of more normal earnings. While competition from trucks and busses continues as a serious problem, Federal regulation of this form of competition seems probable. The common stock is admittedly speculative, but current quotations appear to liberally discount existing uncertainties and retention of your holdings with a view to longer term earnings possibilities is advised.

ATLANTIC REFINING CO.

I have been disappointed with the action of Atlantic Refining stock marketwise and I am wondering if it would pay me to switch? Does the increased cost of crude oil and the fact that this company has to buy so much from outside sources without a corresponding increase in gasoline prices account for the rise in cost of goods sold? Is there any nearby hope for improvement? Do you look for any changes in the dividend? Do you advise me to sell 135 shares which cost about 29?—G. M. P., Chicago, Ill.

The Atlantic Refining Co. is primarily a refiner and distributor of lubricating oils and gasoline. Although the company has substantially increased its producing acreage during recent years, it still purchases the bulk of crude re-

quirements from outside interests, and operating profits depend largely upon the spread between crude oil and gasoline prices. In the report for the six months ended June 30, 1934, gross operating income for the period was $47,197,291, against $33,953,325 in the corresponding interval of 1933. While this showing was encouraging, costs of goods sold and operating expenses were increased substantially and this tended to minimize the benefits which otherwi would have accrued to the company. Nevertheless, net income during the period amounted to $2,990,587, equivalent to $1.12 a share on the common stock, against $1,001,659 loss in the first half of last year. The price of crude oil purchased, although somewhat higher than was justified by gasoline quotations, remained fairly constant during the period and this did not necessitate inventory adjustments which have played such an important role in past reports. Financial condition of the company as at June 30, last, was strong, with total current assets of $46,332,986, including $10,341,951 cash and marketable securities, comparing with current liabilities of only $7,856,871. Although full year 1934 earnings may fall somewhat below those of last year, when $2.46 a share on the common stock was reported, the current annual dividend of $1 a share is likely to be covered by a satisfactory margin. We recognize that the failure thus far of governmental efforts to check illegal production of crude, constitutes a menace to the price structure, but in view of the probability that the next session of Congress will enact some legislation designed to combat this evil the longer term outlook is not unfavorable. In any event, the shares of Atlantic Refining are now being quoted at prices which appear to largely discount the uncertainties in the situation and their retention is recommended.

CONTINENTAL CAN CO., INC.

I have some Continental Can Co. stock on which I have a nice profit and I am wondering if it would pay to buy some more as it seems to me that this company is in a unique position to benefit from further business recovery. But before buying I would like to be sure that all the favorable prospects have not been fully discounted. Is there a likelihood of the proposed stock dividend having any unfavorable effect on the stock's price?—W. S. B., Flint, Mich.

Despite the fact that Continental Can Co., Inc., greatly extended its facilities in the years just prior to the depression by acquiring numerous going concerns, owning plants strategically situated in various parts of the country, this expansion did not necessitate floating large bond issues or incurring heavy bank loans. Rather, the expansion was accomplished by issuing additional shares of common stock, which were used as payment for the companies acquired and to retire subsidiary funded debt. All preferred stock of the company was retired in January of 1930 and capitalization has since consisted solely of common stock. At the end of June there were 1,755,689 shares outstanding, but directors have declared a stock dividend of 50%, which stockholders will be asked to ratify at the special meeting to be held on October 15. If ratified, the board has expressed its intention of placing the new stock on a $2.40 annual basis. Since the company's report for the 12 months ended June 30, 1934, revealed a net profit of $9,059,662, equivalent to $5.16 a share on the present capitalization, the indicated higher aggregate dividends seem amply justified. While Continental was not exempt from depression influences, the lowest earnings recorded since 1929 were equivalent to $2.78 a share. This was in 1932, a year when the vast majority of industrial corporations sustained substantial losses. In 1933 the company was successful in reversing the earnings downtrend and reported for the full year the equivalent of $4.31 a share, while earnings this year give every evidence of establishing an all-time record high. Not only has the slaughter of drought live stock greatly stimulated the demand for tin containers, but their adoption by the petroleum and other industries has expanded greatly this year. Thus, we do not feel that for an issue of this caliber, Continental Can is now quoted at prices which largely discount future prospects, nor do we believe that the issuance of additional shares, through the proposed 50% stock dividend, will have a restraining influence on the stock's market action. From a long pull standpoint, therefore, we can see no reason to oppose the extension of your commitment in the issue.

In The Next Issue

Is More Money the Solution of Present Difficulties?

By Robert Hemphill

Also

Will Smelters Continue to Benefit Under the New Deal?

Outlook for Second Grade Bonds

(*Continued from page 657*)

bonds from the railroad and public utility groups would seem to be automatically barred to a large extent. While rising prices might conceivably prove beneficial to various industrial groups, the position of the railroads and utilities will be analogous to that of the investor himself. They will be forced to purchase materials and labor at higher costs without compensation in the form of higher rates. While it is unlikely that these conditions will produce wholesale bond defaults among utilities and railroads, they would intensify the risk attaching to the second grade bonds of these groups.

In summary, there does not appear to be any valid objection to the inclusion of second grade industrial bonds in contemporary investment portfolios, not, however, as a speculative venture but as a practical method of protecting income. If this seems to be much in the nature of a compromise, it at least has the merit of immediate and tangible results and cannot be said to differ greatly in principle with the spirit of compromise which present conditions have forced upon all investment undertakings.

This Coming Election

(*Continued from page 643*)

funds and public office a Democratic party machine which would amaze Mark Hanna and Boies Penrose. Raskob holds the notes which financed the upbuilding of the present victorious party but the stream of grateful cash which now pours into the treasury of the Democratic National Committee goes not to pay for those dead cats but for the fighting cocks of a militant party. In the old days the Republicans had the cash and the Democrats the honor of poverty. Now the situation is reversed. A public job in a Democratic hand is far better for campaign chests than a scared Republican fortune in a safe-deposit box. The Republicans still have the moneyed classes with them, but not their money. So, now the Democrats have more money, more confidence, more party solidarity and far better morale than their foes.

Spots of Congressional victory in Michigan, Illinois, Iowa, Indiana, California and elsewhere will serve as symbols that some day Democracy can be licked again, but the real high tide of Democratic dominance is expected this fall. Sinclair is picked to deluge California with his brand of socialism, and Ohio, West Virginia, Maryland and Missouri are due to increase the Democratic majority in the Senate. This fall's campaign is just a political picnic with the politics, partisan or fundamental, mostly left out. In what thought there appertains to it, it is every man for his substantial self. We are too far into bread and circus for the crowd and not far enough as yet away from the wine and cakes for the disappointment phase of the political cycle to be crescent. But there will be enough stalwart men who are masters of their soul come back to Congress with popular certification to speak against the incredible follies of the day and to preach redemption in the wilderness of defection from economic sanity and political liberalism.

That we shall ever go back to where we were in government and business is not likely. Two years more of the New Deal will form an amalgam with the Old Deal which can never be scraped off. The strategy of the Republican party is regionally to concede that the Old Deal was bad but that the New Deal will require some Republican hospitalization before it can be generally acceptable. Nationally the G.O.P. hits out boldly against all the Roosevelt innovations, but its punches lack conviction. It doesn't know just where it stands or where it should be going. It will take another two years for it to make up its mind as to how much of the New Deal is to be accepted and how much is to be rejected.

There is no hope for Bourbons or even for liberal Conservatives in the coming elections. We are in for two years more of adventure in legislation and experimentation in administration; and the outcome of them depends, ironically, on whether the sick economic body can get well in its old-fashioned way before the new doctors benevolently do it to death. But it will never be the same. We have gone somewhere; and, when we know where, the need of the times will not be to turn back but to adapt.

General Foods

(*Continued from page 664*)

flection in the disbursement made to stockholders. Even the current 6% return must be considered not unsatisfactory.

Except possibly through Frosted Foods, on which much development work still remains to be done, General Foods is not a stock that appears to have large potentialities under present conditions. The business is too stable for that. Moreover, the stock is completely devoid of "leverage," a factor so often the cause of any great jump in common earnings and the price at which a stock sells in the open market. Nor is General Foods one of the obvious beneficiaries of a reflationary rise in the general price level, for it is the manufacturer of bulk, rather than package, goods who might be expected to gain from such a development.

Nevertheless, with any improvement in general business that would be an improvement in the volume of goods moving into consumption, contrasted with a *price* improvement, the company certainly could be expected to do at least somewhat better. And this, undoubtedly would be reflected in the price of the stock and the dividends paid on it.

Can the New Deal Break the Economic Jam?

(*Continued from page 648*)

a scientific basis of minimum necessity, supported at least in substantial part by direct and broadened taxation; meanwhile cutting down on all other spending. Coupled with this should be a firm declaration of the President's intention to balance the budget at the earliest possible moment, to which end he will give capital and business every possible encouragement in order that the necessary revenues may be produced.

Taxation is related to this question. In this country some 3 per cent of the people pay income taxes. In Great Britain approximately 25 per cent do. We have gone to great lengths in unscientific, indirect and overlapping taxes which permit politicians to make the dishonest and untrue claim that only the rich pay the bill. A broad taxation base is one of the greatest of political safeguards. Every occupied person should share in the relief bill. Every occupied person should directly and consciously share in the Federal income tax, even if his payment is only $5 a year. There would be greater protection against political waste in this system and more faith in the soundness of government.

In the relation of labor and capital, capital justifiably feels that thus far under the New Deal the Administration's sympathies have been too largely with organized labor. It believes that the role of government should only be that of referee and mediator and that,

at the least, if new privileges are accorded labor by Federal legislation there should in some manner be equivalent responsibility imposed upon labor or exacted from it. The present effort to negotiate a specific period of industrial peace is a step in the right direction.

A further source of uncertainty is capital's doubts regarding the Administration's attitude toward the profit system and the question of what constitutes a "reasonable" profit. Plainly a "reasonable" profit would be extremely difficult to define.

Perhaps it would be an excellent idea—strange as it may seem—for the New Deal to drop this subject entirely and let business infer that it is free to make all of the profit that it can! If this seems the view of a reactionary or a Tory, bear in mind that in our economic system capital is always competing with capital for consumer favor, destroying it and replacing it with better or cheaper goods and services; that the national wealth over a century has grown at the rate of less than 4 per cent a year, proving that this is the long-range average expectancy of return on capital; that manufacturing profits on sales or gross revenues in the boom years 1923-1929 averaged only 4.91 per cent as shown by United States Treasury figures; and, finally, that anything above what the New Deal may consider a "reasonable" profit is more than likely in any event to go to the tax collector.

Next: what is the soundest policy for the New Deal to pursue as regards commodity prices? For finished goods, obviously, the only proper price is the price which will move goods into consumption and which will support the largest volume of production. We were on the right track in the initial theory that one of the first correctives was to raise staple prices to restore their economic balance as far as possible with manufactured goods. Monetary depreciation, A A A control and drought have combined to lift the level of staples, but in N R A and its advancement of industrial costs and prices the New Deal trumped its own ace.

With staple surpluses relieved or destroyed, and with N R A price-fixing in eclipse, we are getting back on the right road. Even though many business men will not like it—for much of business itself insisted on the resort to price-fixing despite abundant economic experience in its dangers—the Administration will be wise to adhere from this point on to policies which encourage healthy competition in industry, volume production and the lowest possible prices. It is only the volume functioning of our economy that can produce and support rising wages. Staple producers inevitably—and with much justice—will be the first beneficiaries. Labor should be urged to see the necessity that it wait for the later reward that a sounder balance of agricultural-industrial price ratios will yield.

Finally, the dam that now lies across the economic stream is not going to be broken while the flotation of new corporate financing remains at its present barely perceptible trickle. The President is aware of the problem of the heavy industries and of the fact that, since they are the real sore spot of depression, they hold the key to general recovery.

He correctly intimates there is no panacea for them. Under the best of conditions their recovery to normal will be slow. But, clearly, the best of conditions do not exist. Clearly, also, it should be possible to improve substantially upon present conditions.

Here 80 per cent of the task is merely what we have discussed above: namely, the restoration of the confidence of capital, that it will venture again into long-term commitments in normal volume. The other 20 per cent is in the legal and excessively burdensome restrictions of the Securities Act. Rightly, fraud and deceit must be abolished as far as is humanly possible, but in seeking this worthy end we have paralyzed financing by honorable business and honorable banking. Plainly, experience to date suggests that this well-intentioned reform should be made more practicable, either by legislative revision or by administrative action—if possible—of the Securities and Exchange Commission.

Whatever one may think of the above criticisms and suggestions, thinking Americans can not further delude themselves that under the New Deal we are "on our way." Instead, we are caught firmly in an economic jam. We will not be "on our way" until the New Deal and capital shake hands and join in sincere endeavor to loosen the key logs.

For Profit and Income

(*Continued from page 666*)

and two shares of common stock. In favor of co-operation, there is the advantage that acceptance of the terms means the elimination of certain mortgage restrictions which make it impossible to pay dividends until the company has made up losses aggregating about $29,000,000. Against co-operation there is the consideration that it means preferred stockholders will forego dividend accumulations due them and also that they will lose part of their

New York Curb Exchange

ACTIVE ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	1934 Price Range Low	Recent Price
Alum. Co. of Amer.	85¾	48¼	48⅞
Amer. Cyanamid B (.25)	22½	14¾	16¾
Amer. Gas & Elec. (1)	33⅜	18⅝	20¾
Amer. Lt. & Tr. (1.20)	19⅜	10⅛	11⅝
Amer. Superpower	4⅞	1¾	1⅞
Assoc. Gas Elec. "A"	2⅜	7/16	⅝
Atlas Corp.	15½	7¾	8¼
Canadian Indus. Alco. "A"	20⅜	5¼	7½
Cities Service	4¼	1⅝	1⅞
Cities Service Pfd	26⅞	11¼	15⅜
Consol. Gas Balt. (3.60)	68	53	63¼
Cord Corp. (.25)	8⅝	2⅞	3½
Creole Petroleum	14⅜	9⅝	12½
Distillers Cp. Seag	26⅝	8⅞	15¼
Elec. Bond & Share	23½	9⅛	10⅜
Elec. Bond & Share Pfd. (6)	60	31	38¼
Elec. Pr. Assoc. (.40)	8	3⅜	3¾
Ford Motor of Can. "A" (50)	24⅞	15	22⅞
Ford Motor, Ltd	10⅜	5½	10¼
General Aviation	9½	3	3
General Tire	99	52	54
Glen Alden Coal (1¼)	24⅜	10¾	21¾
Great A. & P. Tea N.-V. (7)	150	122	130
Gulf Oil of Pa.	76¾	49¾	50½
Hudson Bay M. & S.	15⅜	8¾	13⅛
Humble Oil (1)	46⅜	33¼	40
Imperial Oil (.65)	15⅝	12⅝	15
Inter. Petrol. (1.56)	30¾	19⅜	29⅝
Lake Shore Mines (3)	60¼	41½	59¼
Niagara Hudson Pwr	9¾	4¼	4¼
Novadel-Agene (2)	23¼	17	20
Pan-American Airways (.50)	51	31⅞	32
St. Regis Paper	5½	2	2⅛
South Penn Oil (1.20)	26½	17½	21
Swift & Co. (.50)	20¾	13⅞	18⅜
Swift Int'l (2)	40½	23¾	38¼
United Founders	1½	½	½
United Gas Corp	3¾	1¾	2⅛
United Lt. & Pwr. A	5⅜	1½	1⅝
United Shoe Mach (5)	68⅜	57¾	66
Walker Hiram H. W.	57½	21¾	25⅞

seniority in the plan of capitalization. It would seem, however, that there were more to be gained by agreeing to the proposed terms than refusing them if one remembers that a preferred stockholder's chances of receiving any income at all is dependent upon a marked improvement in the steel business. Under the *present* capitalization, a marked and sustained pick-up would result in his eventually receiving all back accumulations and regular dividends of $6 a share. Under the *proposed* capitalization, a marked and sustained pick-up would result in his receiving, and receiving sooner, regular dividends of $5 a share, plus all he might obtain from his two shares of common stock which might be considerable under such conditions.

Where Does Industry Stand?

(*Continued from page 656*)

undergone a vigorous upturn and have since shown no signs of diminishing. The Federal Reserve Board's adjusted index of department store sales, which had declined from 77 in May to 73 in July, recovered to 79 in August. Moreover, the improvement was not confined to department stores. A compilation of 23 chain store systems, including grocery, 5-and-10, apparel, drug and shoe stores showed a gain of nearly 7 per cent in sales over a year ago. One mail order house registered a gain of 23 per cent in August sales over last year. The gains in September, based on incomplete figures will be equally reassuring.

Sales gains during September have been upwards of 10 per cent in dollar volume for large retailing organizations, while prices according to the Fairchild retail index were only 6 per cent higher on September 1. Thus, it would appear that unit sales were also larger. Among the factors contributing to make possible this improved showing are the large government relief and other payments going directly into consumers' hands—particularly in the agricultural territories. Lower prices constitute another factor in stimulating sales. Since last April retail prices, as computed by the Fairchild index, have declined 2.6 per cent. Raw material prices during the same period, however, rose 10 per cent and agricultural products, over 24 per cent. To the extent that the purchasing power of the producer and farmer have been enlarged accordingly, these latter figures are subject to constructive comment but from the standpoint of the retailer and processor of packaged foods, for example, they mean lower profits unless they can be offset by economies—a doubtful possibility when it would appear that the trend of costs is definitely upward. Sooner or later, rising costs must be passed along to the consumer but until the consumer's buying power has passed the convalescent stage, retailers and processors alike will be reluctant to risk the loss of competitive advantages and business volume by sharp mark-ups. It follows, therefore, if this line of reasoning is correct, that retail profits and earnings will fail to maintain the pace set by sales. Their impressiveness, however, should be enhanced by comparison with the financial results in other fields where the same element of inherent stability is lacking.

The same conclusions with respect to retail trade are likewise applicable to such groups as soap and toilet goods manufacturers, packing companies, sugar producers and refiners, dairy companies and various processors of food sold under trademarked names. The normal demand for these various commodities does not fluctuate much between good times and bad but profits continue subject to the vagaries of inventory losses and the pressure of competition. Rising prices for raw materials mitigate the risk of inventory losses but this is a temporary advantage and ultimately they mean higher retail prices. The showing of individual companies will depend upon the extent to which they are successful in meeting this situation without loss of volume. The emphasis being that the investor should not be misled into false security by the favorable implications which attach to rising prices, so long as there is the danger that price rises may outstrip the gains in public purchasing power.

Among the industries of more basic importance, the chemical industry has been the star performer. While not strictly a consumption goods industry, its broadly diversified character and unusual elasticity have lent a large element of stability without, however, in any way depriving it of the more dynamic possibilities which arise from potential increases in volume. In the chemical industry, the problem of raw materials and inventories is of little consequence and not the least of its advantages, by any means, is the low ratio of labor costs. For rather obvious reasons, this is a particularly desirable condition at this time, indicating not only the ability of the industry readily to absorb any reasonable increase in wages, without seriously affecting profits, but to take care of a substantially large volume of business without a corresponding increase in overhead. While earnings of representative chemical companies for the third quarter will be adversely affected by the general business slump, and the textile strike specifically, results in the final quarter should afford favorable comparison with last year. DuPont, Union Carbide, Air Reduction and American Cyanamid might be considered among the favored equity investments.

Internal difficulties, rather than any considerable slump in consumption, have created a precarious situation in the oil industry. After practically a year of relative stability, the industry has again reached a critical stage. The gasoline purchasing pool has been abandoned and with legal tests of the gov-

ernment restrictive measures deferred until some future date, serious doubts have arisen over the ability of crude prices to hold up. Any serious break in crude prices would mean inventory losses and result in a considerable adverse change in current earnings of the majority of oil companies. "Hot oil" is being produced at the rate of 125,000 barrels daily, at this writing, and will continue to constitute a serious menace to the industry until some effective measure to control excessive production is discovered.

The settlement of the textile strike, with none of the specific demands made by labor being granted, does much to clarify the outlook for a highly important industry. Heavy inventories built up by distributors in anticipation of higher prices have been gradually worked off and demand from this source should result in some contra-seasonal activity in the last quarter. With production of rayon closely attuned to demand, the industry is in a strong statistical position and given reasonable price stability, leading producers should be able to translate the constantly increasing demand for this type of fabric into satisfactory profits.

Among those industries of lesser basic importance, the prospects for the tobacco industry are the more promising. Cigarette withdrawals this year promise to establish a new high. Figures for the first eight months showed a gain of 9 per cent over last year. The 10-cent brands are no longer menacing the Big Four companies but competition among the popular 15-cent brands is becoming more intense. A moderate rise in wholesale prices to offset higher tobacco costs may be forthcoming in the near future. The demand for snuff is larger this year, and even the cigar manufacturers are experiencing enlarged sales after an extended decline.

Copper sales have recently been reported as running behind sales quotas and this situation combined with the drop in export sales may result in some reduction in the present 9-cent price for so-called Blue Eagle copper. This might prove helpful in stimulating sales but hardly in sufficient time to bring any material improvement in earnings for the final quarter. While some copper companies will continue to derive benefits from silver production, the outlook so far as restricted earnings are concerned has not improved greatly for the better. Refining and smelting companies such as American Smelting and U. S. Smelting are giving a good account of themselves and are favored as "inflation hedges," as are Kennecott and International Nickel.

After experiencing a sharp seasonal decline in the summer months, production of both anthracite and bituminous

has again turned upward and for the full year should register a gain over 1933. The increase in anthracite production, however, is likely to be more pronounced than in the case of bituminous. Bituminous producers will be aided by the absence of price-cutting tactics during the dull months such as has frequently occurred in the past, and some prices have even been advanced moderately. Weather conditions will determine the prospects for anthracite producers and should conditions be comparable with last year, earnings results should be distinctly better for the year as a whole.

From the foregoing summary of the leading industries of major importance, the general business prospect for the final quarter is best described as mixed. While it is obviously impossible to say what the situation would have been without the presence of artificial factors and the general uncertainty over the future which prevails, to the writer, at least, it seems that business is no better or worse than might be otherwise be expected at this stage of the economic cycle, following in the wake of a worldwide depression of extended duration.

In the general bewilderment as to what the future holds, sight should not be lost of the fundamentals which continue to work in favor of recovery. Financial liquidation has all but ceased; the banking situation is better; and there has been much progress in balancing the supply and demand of principal commodities. The real estate situation has improved; business failures have declined appreciably; and the pressure upon debtors has been relieved both by financial assistance and legal machinery. In all of this the missing link is, of course, what will be the Government's policy with respect to the budget, borrowing and currency tinkering. No one can say with assurance. Time alone will tell but it may well be that another six months will find the Administration more conservative than earlier events have indicated.

The Mail Order Outlook

(Continued from page 661)

stockholder for the mail order companies, in the face of the great improvement in earnings that they have registered, must necessarily be modified to some extent by the thought that the return on his investment is likely to be either small in the near future, or delayed longer than he expects, because of the companies having to strengthen their internal structure. Sears, Roebuck undoubtedly would like to see its notes payable reduced before initiating common dividends; in the case of Montgomery Ward there is still that $7 in accumulated dividends on the preferred to be liquidated before the common can receive anything; Spiegel, May, Stern is another company having notes to pay and also probably would wish to build up its cash position; finally, National Bellas Hess, as has been said, is just starting upon a course of rehabilitation. Moreover, in the case of the last company, a stockholder should remember that his equity is subject to some dilution because of the right possessed by officers to take a share of the profits in the form of common stock. Not that there is anything reprehensible in National Bellas Hess' employee-profit-sharing plan. It is merely mentioned for its inevitable effects upon those who buy the issue in the open market.

There is one more extremely important point that bears on the chances of the mail order stockholder receiving a return on his investment. It is merely this: These companies are popularly supposed to benefit from a rise in the general price level. And they do, up to a point. But should there be anything approaching an inflationary rise in prices, these companies would find themselves hard put to it to find the money for carrying inventory. Already, the book value of their inventories has registered a very sharp rise.

When it comes to weighing the mail order *industry's* favorable prospects, together with the less favorable internal position of the companies that make up this industry and then reducing the answer to terms of common stock prices, the task will be found far from easy. Possibly the safe conclusion is that, while not one of these mail order issues is currently on the bargain counter, there is an excellent chance that a patient holder will be rewarded ultimately.

Gold Dust Corp.

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ucts but is involved in a number of industries subject to differing influences viz.: flour milling, soaps, foods, shoe polish. On the other hand, the company's products are well and favorably known and, while they are at the moment admittedly meeting keen competition, fundamentally their position with consumers is a strong one. Much depends upon management, but if those in control of the company can only maintain the goodwill that is currently possessed during the remainder of present difficult period, it should not be too much to hope that pre-depression earning power will be reattained.

Better Market Action Indicated

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undoubtedly better than average, it is of interest to note that the September sales of one of the largest mail order companies were 39 per cent above the level of the corresponding month of last year. Since its catalog prices for that month were lower, rather than higher, than a year ago, the gain, obviously, is in actual volume.

The buying power that retail trade currently reflects should make at least a moderately favorable impression before long in the reports of steel operations, which has turned up from the year's low; in car loadings, in electric power output, in the production and sale of automobiles and in other thermometers of business.

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, September 24	79.35	90.45	35.06	80.01	78.91	514,670
Tuesday, September 25	79.51	92.72	36.27	81.11	78.75	841,985
Wednesday, September 26	79.71	92.44	36.01	81.34	80.46	796,460
Thursday, September 27	79.76	93.40	36.62	81.78	80.15	798,770
Friday, September 28	79.63	92.49	36.22	81.34	80.46	512,290
Saturday, September 29	79.66	92.63	36.33	80.80	80.38	222,370
Monday, October 1	79.16	90.41	34.95	80.23	78.59	619,880
Tuesday, October 2	79.35	90.88	35.12	79.81	78.83	370,270
Wednesday, October 3	79.54	91.04	35.20	80.13	79.36	410,225
Thursday, October 4	79.46	91.01	35.11	79.92	78.84	607,610
Friday, October 5	79.82	92.96	36.08	81.75	80.32	872,190
Saturday, October 6	79.95	92.85	35.97	81.33	80.90	230,668

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